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Founder-Editor: Sachin Chaudhuri

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Concealed Fascism

NO session of Parliament is considered complete without members on both sides of the two Houses shedding tears over the atrocities committed on the scheduled castes by the upper castes. This is followed ritually by assurances that the government takes a very serious view of such goings-on and will do everything to put an end to them.

In the space of a few days last week, a section of Bombay city's scheduled caste population had their worst-ever taste of organised repression. But their oppressors, this time, were not the upper castes primarily; they were the police force of the Maharashtra government. The reign of terror let loose by the police began at a meeting on January 5 in a predominantly scheduled caste locality in the city, organised by the Dalit Panthers — a fledgling organisation leaning more to Ambedkar than Marx and still largely confined to scheduled caste converts to Buddhism. The meeting was attacked with brick-bats, following which the police made a lathi-charge on those present and arrested a score of persons, including Raja Dhale, a prominent Dalit Panther leader. The next day, there was day-long violence in the BDD chawls, a residential area adjacent to the venue of the previous day's meeting. This is how the *Indian Express* reported the role of the police in the proceedings:

> "Boys and adults from the side of the Police Lines [policemen's quarters in the BDD Chawls] freely hurled stones at the buildings where the non-scheduled castes live ... It is mysterious that the police burst tear-gas shells at the scheduled castes, lathi-charged them, entered their buildings, and arrested and beat up some persons, but did nothing to stop the stone-hurling mobs from the Police Lines side .... A long line of policemen armed with lathis, rifles and tear-gas guns and the State Reserve Police had their backs to the Police Lines. Four policemen were actually seen throwing stones at the scheduled caste tenements."

By Monday evening, the numbers of scheduled caste injured were nearly 200 and of those arrested well over 100. But the worst was yet to come. It came on Thursday, when the Dalit Panthers organised a procession to protest against alleged police atrocities. Newspaper reports have emphasised how, though the procession was repeatedly stoned, the Dalit Panther leaders prevented those in it from retaliating. However, the police soon arrested the four most important leaders and followed this up with a cane-charge on the procession. What followed has been reported by *Times of India* as follows:

> "Leaderless, the young men and women ran helter-skelter, some going towards the Parel junction and the others going into the Central Railway Workshop playing ground.
>
> "Eye-witnesses said the police beat up the youths mercilessly. This reporter saw the police dragging some of the Panthers to the van by their hair; some were held by two policemen while the other constables beat them with lathis.
>
> "Some of the youths were hit with rifle butts as the policemen rained abuses on them."

Before it was all over a Panther youth had been killed, allegedly in the stone-throwing; and roughly another 100 and 40 respectively had been added to the lists of those arrested and injured. The determination of the police to put down the Dalit Panthers was to be seen also in their treatment of Raja Dhale who had been ordered to be released on a relatively small bail of Rs 2,000, reflecting the court's view of the gravity of the charges against him. However, the moment he was released the police rearrested him on other charges. The government's sympathy and solicitousness for the scheduled castes apparently last only so long as they are content with their exploited status; once they begin — however tentatively and feebly — to organise themselves to overcome that status, the full force of the government's repressive powers are to be turned against them.

Despite the very effective if informal control exercised by the police over newspaper reporting of such matters, enough details have become known about the events of the last few days involving the Dalit Panthers to require the immediate institution of a judicial enquiry into them. Further, the violence directed at the Panthers has completely vitiated the atmosphere for this Sunday's by-election to the Lok Sabha from the Central Bombay constituency. For the direct victims of the violence and for the rest of the large number of scheduled caste voters in the constituency, the poll will be neither free nor fair.

But to say that the election will not be fair in the sort of situation which has been precipitated is to suggest that, were it not for the police atrocities and the atmosphere of violence, it would have provided a reasonable forum for the choice of a representative of the people. It is precisely this presumption

that the Dalit Panthers have questioned in calling for boycott of the elections. What they, and other groups like theirs, are groping towards is a political process entirely different from the one to which this country has been accustomed and in which neither the electoral process nor the established political parties represent anything like a democratic method of formulating issues and making choices. The opposition parties' failure to articulate the distress of the mass of the people, not to talk of providing a credible alternative for its redressal, has left them as discredited as the Congress. But that failure is endemic to their situation. If the Opposition cannot mobilise the people it is because, given the contradictions in which these parties are caught, they can only marginally represent the people's interests. Mobilisation requires a consistent and coherent formulation of issues within an ideological framework. Framed in poll politics, the organised parties have necessarily to compete for loyalties whether these be on caste or feudal bases, as well as for financial support from the more wealthy. Both these require serious compromises inconsistent with the social, democratic goals too easily professed by these parties. Is it at all surprising, then, if the Congress governments at the Centre and in the states have decided that they need not lose much sleep over the activities of any of these parties?

The ineffectiveness of the established opposition parties, even as the economic condition of the mass of the people has steadily deteriorated, has led to the emergence of new political groups and formulations which, whatever their organisational and ideological shortcomings, today constitute the real opposition to the Congress. Despite their very limited influence, it is these groups which the government knows it has to nip in the bud. After the experience of the rapid growth of the CPI(ML) within the span of just a year or two, the government evidently intends to take no chances. In dealing with these groups it no longer makes even the pretence of observing democratic proprieties.

This gives the country's political system marked features of concealed fascism. On the one hand, there is the Constitution, the Judiciary, the Parliament and the state Assemblies, complete with opposition parties. On the other hand, the groups which pose, actually or potentially, any real threat to the government are suppressed with fascist ruthlessness. For them there are the police and para-military forces, armed with the DIR and MISA; worse, there are for them the cold-blooded murders which are dressed up as deaths in so-called "encounters with the police" and "attempts to escape from police custody".

Agriculture

Cumulating Imbalances

TALL talk about how installed capacity and production are to be doubled or tripled, accompanied by wholesale non-accomplishment or only token accomplishment, has been the rule in practically all key areas of the economy — coal, power, steel, and so on. The failure on the fertiliser front has particularly crucial implications, however, for the simple reason that this affects production in what is still the most important sector of the economy, *viz*, agriculture. In the current year, availability of fertilisers is estimated to fall short of requirements by close to a million tonnes. The position could grow worse if projected imports fail to mature; and the producing countries may well fail to deliver because of the crisis in their petrochemical industries as a result of the St Vitus's dance the Arab world has forced them into. And, given the grim outlook for the country's balance of payments, the position is hardly likely to improve in subsequent years.

It is in this context that the issue of the optimum pattern of fertiliser-application has to be sorted out. Whatever fertiliser is available in the country is at present disproportionately allocated between the kharif and rabi crops. Farm output in the rabi season still does not add up to more than two-thirds of that in the kharif. Yet, in the allocation of fertilisers, the proportions are reversed: two-thirds of the total supplies of fertilisers are allocated for the rabi season. A second type of imbalance has now appeared in the current year. A much higher proportion of total fertiliser supplies has been allocated to the north-western states than last year. The Union Ministry of Agriculture has justified this on the ground that since it is from these states that the bulk of rabi procurement will be made, their needs must be catered to on — as the cliche goes — 'a priority basis'.

There is an element of regression in this policy which deserves examination. Scientists and technicians are agreed that the effectiveness of fertiliser dosage is increased if it is combined with a system of controlled water management. Water can be applied in a regulated manner only if its source is subject to human control, i e, if the cultivated area happens to be in an irrigated tract. For historical reasons, in all the years since Independence, it is as a rule in those areas where rabi crops have flourished that facilities for irrigation have been expanded. Most states in the south and eastern parts, on the other hand, have brought sown areas under irrigation only at a very slow rate: the capital cost of major works has been considered prohibitive, and outlays in the name of minor irrigation have led nowhere. At subsequent stages, moreover, the relatively high proportion of sown area under irrigation in the north-western states has become the principal factor buttressing their claim for proportionately larger supply of fertilisers. Besides, with assured irrigation and fertiliser supplies, not only has the rate of growth of rabi crops been higher than that of kharif crops, in Punjab and Haryana — the traditional *rabi* tracts — the greater availability of irrigation water and fertilisers has meant a faster rate of increase in the production of kharif crops too. To that extent, also, it has been easier for these states to show higher procurement levels. While institutional factors, such as tenurial conditions affecting production, need not be ignored, there has been this chain of causality which has consistently worked against the kharif areas.

At least two dangers are inherent in the persistence of such a policy. First, if carried to the extreme, it could institutionalise the regime of disparate rates of agricultural growth in different parts of the country. In case the north-western states continue to enjoy the bulk of the facilities an the southern and eastern ones with isolated exceptions remain starved of them, the resulting distortions in the rates of growth might lead to problems of pricing, procurement, and distribution, which could prove altogether intractable. It might also provoke regional jealousies, to resolve which would call for a grotesquely disproportionate expenditure of resources in other directions.

The second possibility is equally serious. As the evidence of the past year has underlined, once the expansionary phase in wheat production is over, the rate of growth of farm output in the north-eastern parts would slacken. In case the limits of bringing sown area under irrigation have been reached, no amount of additional application of fertilisers can reverse the diminishing returns in output. Given the built-in inertia in the official arrangements, it might then be very difficult to reappraise the policy on the allocation of fertilisers and credit.

The Press

Prime Minister's Day

M R writes:

THE Prime Minister's new year-eve press conference yielded a 49-page transcript of the 95-minute encounter — but precious little copy. So much so the capital's largest-circulated daily limited itself to a single-column treatment of the annual event. Others, in the capital and outside, were more magnanimous about it, the newsprint crisis notwithstanding. Yet the little that was significant in Indira Gandhi's statements was missed by most, both in reporting and comment.

The back-log of general issues that dominated the press conference at Vigyan Bhavan underlined the steady loss of communication between the Prime Minister and the capital's press corps over the years. In 1966 Indira Gandhi was the Minister for Information and Broadcasting when she won the contest for leadership against Morarji Desai. Almost the first thing she did after her election was to meet the press at her residence, where seating arrangements had been made for over 300 correspondents in anticipation of her victory. Asked if she would revive her father's practice of meeting the press every month she had said, "perhaps more often than that".

Indira Gandhi was the first Prime Minister to have a Press Adviser to establish rapport with the mass media. Her monthly meetings with the capital's press began well but became a ritual in course of time. One reason was perhaps that Parliament was becoming very zealous about its privilege and the Prime Minister could not make major announcements or policy statements when Parliament was on. Gradually, the Prime Minister's press conference became an annual formality, on the last day of the year after the winter session of Parliament had ended.

The capital's swelling press corps feels that the Prime Minister meets the press more readily when she is away from New Delhi. In the capital the peripheral encounters between the Prime Minister and the press are brief, impromptu affairs at the VIP enclosure of the airport or the corridors of her offices in Parliament House or the Central Secretariat. While visiting journalists are able to meet her easily, the Prime Minister rarely gives interviews to Indian newspapers or to the large contingent of foreign correspondents stationed in New Delhi round the year.

At the meeting on December 31, 1973, originally scheduled for 45 minutes, about 60 minutes were taken up by the economic situation. Even so the exchanges yielded only generalities. Yes, it had been a bad year. But that was a universal phenomenon. Prices had risen sharply. So what? Industrial policy? There was no change at all; only, the Indian entrepreneurial class was not daring enough. The public distribution system was there to take care of the people's needs. The government was not opposed to strikes but the working class should voluntarily forgo the right to strike in the larger national interest. There was no more talk of 'turning the corner' or confident expectation of fall in prices; to that extent the Prime Minister's answers were realistic.

The most significant answers related to Indo-Soviet relations. *Pravda* had claimed Indian support for the Asian security pact. The Prime Minister said it had not been discussed at all by Brezhnev when he was here. India was for any form of economic co-operation which could strengthen countries within themselves and strengthen developing countries as a whole. Another correspondent followed it up: the Soviet press, which is an official press, has been writing in a manner as to give the impression that India had already become a part of the Soviet system. "Do you propose to take it up so that your non-alignment position is not jeopardised by false propaganda?" The Prime Minister thought propaganda, neither by the Indian press nor the Soviet press, would jeopardise India's non-alignment and the propaganda was more in the Indian press than elsewhere. About Brezhnev's plan, suggested in his address to MPs: "Obviously he made the suggestion with a view to seeing how peace can be maintained in Asia. Now each country of course looks at these problems from its own point of view and India has her own point of view which we have clearly expressed." The impression one got was that India was still keeping its options open on the issue.

Soviet correspondents rarely ask questions at press conferences. But the most 'leading' question of the day came from one of them who sought to know how the Prime Minister rated the Brezhnev visit among the Indian and Asian events of 1973. The Prime Minister would not oblige. It was a successful visit no doubt, and useful and valuable. What she added in this context suggested that India did not view the recent Indo-Soviet agreements as one-way traffic; the Soviet side was also gaining in the form of vital commodities it needed from India.

A certain anxiety to see United States aid resumed was obvious in the tone of the Prime Minister's answers on Indo-Soviet and Indo-United States relations. This the Press seemed to have missed.

Jute

Blinded by Short-Term Opportunities

A JOINT study team of the representatives of India and Bangladesh had earlier evolved a nine-point strategy to ensure a better price for jute manufactures in the world market, without touching on the major short-term problem of India's purchases of raw jute from Bangladesh. A ministerial delegation from Bangladesh was therefore in New Delhi last week to get a more explicit commitment on this issue from the Indian authorities. In fact, unless this underlying issue is sorted out soon enough the imbroglio over jute purchases could precipitate more awkward problems in relations between the two countries.

Under the trade agreement signed some months ago, India is committed to purchasing in the current season at least 600,000 bales of raw jute from Bangladesh. However, while the agreement laid down the quantity to be purchased, the price at which the purchases would take place was left unspecified. Now, with the recent jump in prices of jute and jute goods in the international and particularly the American market following the energy crisis, many of the assumptions on which the trade agreement was founded have been nullified. The price of polymer chips — a principal raw material going into the competing synthetics — has risen sharply, by almost 60 per cent during the past half-year. And it is bound to rise even further in the coming months. The demand for jute goods, therefore, has revived spectacularly. Those who had written off the long-run prospects of the jute industry are now having to revise their prognostications.

This makes the problem of raw jute easier in the long run for Bangladesh. The Bangladesh authorities would have no major problem in disposing of this excess supply of fibre once the internal administrative problems have been sort-

ed out and they have expanded their capacity in carpet-backing. Indeed, given the undoubtedly superior quality of their raw jute, in the districts of Mymensingh and Tangail for example, carpet-backing exported from Bangladesh could well come to enjoy an edge over the exports from India. But meanwhile there is the short-run problem of disposing of the current stocks — particularly after this year's excellent crop. If one were to work back the price of raw jute from the price of carpet-backing in the American market, the unit export value of raw jute would certainly be higher than the price India is willing to offer Bangladesh — though there is, of course, the other point of view that the unit price of raw jute, as worked out from the export price of carpet-backing, is mostly academic. It could be thus argued that Dundee, or any of the other jute-processing centres in the Western hemisphere for that matter, are in no position to lift the raw jute in the quantities that Bangladesh is wanting to offer at this stage; even if they consider some additional stock-piling, this could not be on a scale that would solve the immediate problem for Bangladesh.

India, therefore, remains Bangladesh's major hope. Going strictly by the terms of the trade agreement, Bangladesh has substance in its half-complaint that Indian parties have been dragging their feet in the matter. The major problem here seems to be the absence of official discipline over the country's jute industry and trade. Consequently, since revived spectacularly. These who had ceptionally good, prices on this side of the border have stayed easy since June; the jute interests claim to have already purchased their requirements for the current season. What is even more relevant perhaps, given the depressed condition of the non-official rate of exchange for the Bangladesh currency along the border, is that substantial quantities of raw jute have been smuggled across into India. Reports have it that smuggled jute from Bangladesh is being sold at around Rs 25-30 per maund; this, converted into Bangladesh takas, would today fetch around Rs 75. There is accordingly little urge in the Indian industry and trade to purchase raw jute at the official rate of exchange or at the price indicated by the Bangladesh authorities.

The resulting impasse presents a challenge to the Government of India. Indian private parties, always blinded by the year's crop and the short-term opportunities offered to them this year by the oil crisis, will fail to see that sustenance of the world jute market in the long run depends very much upon the goodwill of neighbouring Bangladesh. It is, therefore, for the government to impose its writ over the jute interests in the country, and force them to purchase under official auspices a specified quantity of the raw fibre from across the border. If the government is unable to compel the private interests to buy from Bangladesh, it cannot escape the residual responsibility of making the purchases on its own. The myopic ones entrenched in the jute industry and trade could not perhaps care less, but the government cannot escape its obligations.

The tentative agreement announced at the end of the meetings in New Delhi — and subsequently in Calcutta — indicates that Bangladesh's claim of a price for the fibre derived from the international prices of jute manufactures, has been partly conceded by the authorities here. Such a price has been acquiesced in for an initial lot of 200,000 bales. But it still remains a long haul, and what the government of India proposes may yet be disposed by creatures of darkness up and down the Hooghly.

Soviet Union

Less Painful Each Time?

A Correspondent writes:

ARE the collective farms in the Soviet Union on their way out? According to a recent front page editorial in *Pravda*, which analysed Brezhnev's speech to the closed plenum meeting of the Central Committee of the CPSU, they are. The editorial indicated that, in keeping with the directives of the Twenty-Fourth Congress of the CPSU, the Soviet collective farms would be merged to form much larger farms run on modern industrial lines. *Pravda* predicted that such mergers would not only help raise production and efficiency of the farm, through use of modern science and technology, but would also "eliminate the distinction between collective and state form of property, which is one of the tasks of the Party programme".

Nearly half the total sown area in the Soviet Union is under collective farms. Yet, while there are more than 32,000 collective farms *(Kolkhozi)* there are only 15,500 state farms *(Sovkhozi)*. The average size of a collective farm is thus 6,000 hectares, half of which is arable at any given time. The collective farms own on an average 4,000 heads of livestock and more than 60 tractors. The average size of state farms, on the other hand, is 21,000 hectares, and more than 6,000 hectares of it is arable. The state farms have on an average, 7,000 heads of livestock (cows, pigs, sheep) and 120 tractors.

Experiments in merging collective farms into modern 'industrial enterprises' have already been carried out in the European part of the Soviet Union, *viz*, Byelorussia and Moldavia. That this would be the general policy has been evident over the past few years. Now, the party feels, it is the time to take up the consolidation programme in agriculture on a national scale.

As if in reassurance, however, *Pravda* has added that the agricultural consolidation programme will not be pushed forward hurriedly — but slowly and steadily — to avoid the mistakes of the earlier collectivisation effort under Stalin. "Of course", it says, "it is necessary to be careful in carrying out this task". The task would be implemented "rationally and economically, intelligently taking into account all the important considerations". The agricultural consolidation programme would be carried out "step by step (*shag za shagom*) from small farms and brigades to large specialised farms".

But *Pravda* is tactfully mum about the likely fate of the half-hectare private plots allowed to collective and state farmers. For, indications are that these too would be merged with the larger farms. In fact, private plots of collective farmers and state farmers "still account for a big percentage of the total production of vegetables, milk and eggs", though the total area covered by these plots is only 7.9 million hectares — about 3.5 per cent of the total.

Coal Industry

The Russians Are Coming

THE Russians now come to India almost daily, or so it seems. Within weeks of Brezhnev's departure, a large and high-powered Soviet team, led by the Minister of Mines, landed in Delhi. Accompanied by the corresponding Indian Minister and his troupe, the team visited the country's coalfields, enjoyed the Christmas hospitality of hotels of Calcutta, and signed a protocol promising to develop three mines and to provide assistance to the Indian Design Institute. Another team will soon be in India; this one will visit the oilfields.

The speed with which the mission was completed might lead one to believe that much groundwork had preceded the visit as to the role that Soviet aid is best suited to play in the coal industry. In fact, however, there is even now no clear-cut policy in this matter, nor has any serious thinking gone into the formulation of the protocol.

The coal industry is one of the oldest Indian industries; even the public sector, which is a comparatively late entrant into the industry, has by now more than two decades of experience behind it. Indian mining expertise is known to have developed a high level of competence, both for underground as well as for open-cast mining, and the major bottleneck in practice has been the availability of equipment. Even equipment might not have been such a problem had the public-sector Mining and Allied Machinery Corporation (MAMC), Durgapur, been developed along correct lines; instead, at the first sign of difficulties to be surmounted, MAMC was allowed to turn to manufacture of agricultural tractors and to off-load its own orders to private sector units.

Thus it is not for the first time that we have turned to the Soviets for assistance in coal mining. The Manikpur open-cast mine of the National Coal Development Corporation (NCDC) was developed with Soviet aid. Later, we turned to Poland for technical help. Deep mines, such as Sudamih and Moonidih, were taken up with Polish assistance. Only a few months ago, a Polish team was traversing the coal fields of this country. Soon after nationalisation of the coking coal mines, an agreement was entered into with Kopex of Poland, which was later extended also to the non-coking coal mines.

What, then, is the distinct scope of the Soviet aid that is now being sought? Clearly, it is justified only in areas where our expertise is so far undeveloped. If, however, it is sought to develop the three mines — one at Singrauli in UP, another at Ksumunda in MP, and a third at Jhajra in West Bengal —, on what earthly ground can it be justified? For, even in terms of augmenting overall capacity, these projects would at most yield another 7 or 8 million tonnes by 1978-79 — a mere 5 per cent of the Fifth Plan target of 135 million tonnes.

But with the decision-making in the field resting with the political leaders and civil servants-turned-managers who do not know their own minds, anything from abroad — particularly if it is from USSR — is welcome. Evidently, the aid is sought so that those directly responsible may sit idle while the Russians do their job for them and even be conveniently available as scapegoats should things turn out not to order and questions are raised in Parliament.

West Asia

Of Troglodytes and Arabs

A Correspondent writes:

EVERY dog, the Arabs may cynically chant, has his day. The public squirming of the functionaries of the EEC in the presence of the visiting Minister of Oil from Saudi Arabia was a bizarre spectacle. Quite obviously, despite the somewhat indecisive cease-fire following the October war, the Arabs are getting their oil's worth *vis-a-vis* the rest of the world. Matter has triumphed over the mind. The selective denial of oil to Western Europe and the United States has brought about a total transformation in attitudes and pretences. This may be a crude way to self-assertion, but the premium garnered by the Arabs through this psychological rehabilitation is beyond quantification.

A new balance of power is therefore on the point of emerging in the world. Irrespective of how many concessions are extracted out of Israel at the Geneva conference, the hitherto anti-Arab tilt in Western attitudes is now going to be disturbed. To the US as well as the EEC countries, the emotions and predilections of the Arab world are going to matter a lot henceforth. For a change, the supercilious references to the alleged incompetence of the Arab military machine will cease to be the stock-in-trade of stale jokes along the corridors of the United Nations.

Those who cannot directly participate in the glory which this implies in many parts of the underdeveloped world should at least refrain from the churlishness of belittling the Arab achievement. For countries such as India, which, because of particular circumstances, are marginally at the receiving end of the Arab treatment, the need for introspection was never greater. Ever since Independence, this country had all the time in the world in the course of which to by-pass the intermediary of the multi-national oil corporations and set up direct, long-term arrangements with the Arab governments for the supply of oil. This was not done, because the possible susceptibility of the multi-national corporations and the Western countries to any annulment of past contracts was of supreme consideration to New Delhi. Some perfunctory attempts were made to negotiate with Iran, the country with an impeccable pro-American record. As it turned out, it was more in the nature of passing time, and India's courage ended there.

The other default on the part of the Government of India has been of a more general nature. Here too, prejudices planted by others have been allowed to cloud views and attitudes. There has been no long-term policy of developing enduring alignments with the countries of the Arab world: Gamal Nasser was different, but otherwise we, the leading lights among the non-aligned nations, have not ever bothered to conceal our big-brotherly attitude toward the Arabs. Only the most incompetent diplomatic personnel, or relatively junior and inexperienced officers, have been picked as envoys to capitals such as Riyadh. The seniormost among the diplomats were invariably occupied elsewhere. The superpowers and the erstwhile colonial powers provided the entire frame of reference for our external policy. And whenever a somewhat greater initiative was taken by New Delhi to organise the developing nations, such as in the Committee of Seventy-Seven, the primary motivation was to set up a bargaining counter exclusively for ourselves. All these follies are now coming home to roost.

Something, somewhere has to give way. We have been unable to raise our own domestic production of crude: we have been unable to establish direct lines of communication with the Arab governments; we have neglected to develop our most substantial source of energy, coal. We are unable to enforce the minimum social discipline which the rationing of petrol and petroleum products would involve. Faced with the spectre of a runaway increase in the import bill consequential to the rise in oil prices, the authorities can think only in terms of across-the-board solutions which, by their irrationality, might cause even greater harm to the economy. New Delhi is yet reluctant to bestir itself. Such a bestirring, let there be no illusion, would involve a restructuring of economic as much as of foreign policy. And that may be the major difficulty.

Oil and All That

Romesh Thapar

NINETEEN seventy-four has started auspiciously. We now know that the Arab oil weapon has not affected the USSR and the US in the least. In fact, it has benefited the economies of the super powers. Yes, the economic confidence of Japan has been smashed. But, then, both Moscow and Washington wished this wish for different reasons. The US wanted to knock the wind out of a serious competitor. The USSR wanted Tokyo to be persuaded about the desirability of risk-taking in Siberia. As for Europe, it will survive, at somewhat lower standards — at least, until alternative sources of energy are developed or located.

What no one had really bargained for was the disastrous impact of Arab oil policy on the economics of the developing world, particularly the planning calculations of India. We are being assured, almost daily, that our energy problem is fully understood.

The Soviets and the Chinese, too, to constitute a fund for aiding miserable situations like ours. There's no talk of differential prices. Such a line of reasoning would be too rational too simple, too clean and straightforward.

The Soviets and the Chinese, too, are having their little spree of money-making. We have agreed to pay prices for Soviet newsprint, which are higher than the highest Canadian price. The Chinese have taken from the Japanese what the Arabs charge for oil. As for kerosene, we don't know the tally as yet, but it will probably settle at around five times the last registered price. Iraq, another Indian friend, has agreed to supply the oil, but at market prices — whatever that might mean, for, these range from $ 10 to $ 18 per barrel.

Of course, this is not to suggest that we are desperate. Quite the contrary. We are already mending fences with the US, a 'tilt' which could develop noticeable dimensions if the Arabs continue to play their oil game in the style that even *Al Ahram* is critical of, or so it seems from the latest outpourings of its editor.

The economic situation in India, sought to be dressed up in bright colours in Yojana Bhavan and elsewhere, develops complications somewhat rapidly — because of the degree of industrialisation already existing, and its dependence on oil and its various products. Much the same crisis should be creeping up on the other developing economies. These, too, will have to trim their sails — or make their peace with the marauding systems of the affluent West if they want to avoid a zero rate of growth.

At the best of times, the Arabs have shown themselves as a rather confused bunch of policy-makers. If the oil 'gambit' doesn't develop certain 'variations', the assumption will be made that these Islamic States, with their mix of feudal-medieval-democratic practices, are in fact in collusion with the US, that the Nixon-Kissinger team is organising a huge conspiracy to restore the power of the dollar, as also the Watergate-damaged Presidency. This theory, dismissed as poppy-cock a few weeks ago, is gaining adherents daily.

Of course, speculation is also intense among 'model-making' observers. These argue that Arab oil tactics are only possible to the point that the basic interests of the super powers are not affected. When these threats develop, the Arab ruling groups will probably be given a roughing, the like of which they have not known. After all, if the Soviet Union can be dominant in Iraq, what is to prevent the US from manipulating more closely the Saudi set-up. And there is Iran, a sitting pigeon as it were, despite the alliances of the Shah.

The model-makers argue that the inevitable counter-attack will develop. Where? Nobody knows. Will it affect the price of oil? That's the central question for us in the developing world. After all, availability has been restored, officially and through 'leaks' — and that directly serves the interests of the advanced world.

Another block of thinking refuses to entertain theories about a possible fall in price. Now that the Arabs have tasted blood, they are unlikely to retreat. This element projects the notion that a huge development of exports from one nation to another will mark the first phase of a new attempt to balance world economic prices. A scenario of this kind will naturally involve the pre-empting of local markets of those goods which can be sold internationally. A huge speculation in materials, finished and unfinished, is forecast.

If our Foreign Office continues to work in some kind of euphoric state, waiting with confidence for a better tomorrow, the economic ministries of the Government of India are thoroughly oblivious to what is in store for us. The management of coal could not be in a bigger mess, and this is our most massive asset. Oil is compelled to wait for leadership which a selection team headed by P N Haksar is to provide. Atomic energy has still to emerge from the neglect of several years. As for electric power, it will take some time to bring order to the chaos. You would think that the first job would be to establish the authority of an Energy Czar to cut through the muddles and animosities of ministries. We continue to wait. Indeed, it almost looks as if we believe that our near monopoly of Thorium will do the trick in the course of nineteen seventy-four!

Meanwhile, all manner of essentials are disappearing from various markets. These disturbing reports, and developing pockets of violence, suggest that a great deal of money is at play — black money and white money. Could it be that the private funds of the wholesale trader in foodgrains are now cornering supplies of any and every article which might wield a tidy profit? This is an activity, that could prosper despite the absurd credit squeeze of the Reserve Bank which has damaged productivity all over the country. Yes, strange are the ways of high finance in a very mixed-up economy.

January 7

Venus Paper

VENUS PAPER is putting up a project at Faridabad to produce annually 3,600 tonnes of industrial papers by using market pulp and waste paper. Substantial progress has been made in implementing the project and the plant is expected to go on stream next month. The cost of the project is estimated at Rs 54 lakhs, which is to be financed by share capital of Rs 25 lakhs and a term loan of Rs 29 lakhs from a bank. Of the share capital, the public is being offered at par 1,50,000 equity shares of Rs 10 each under a prospectus. The entire public issue is underwritten by stockbroking firms. According to K L Rajgarhia, a director, the management does not envisage any difficulty in procuring the necessary raw materials nor in marketing the products which are in great demand.

Multi-Pronged Expansion

Hansavivek

AUTOMOBILE PRODUCTS OF INDIA expects to produce, in the first phase of the expansion programme, 36,000 units of scooters during the current financial year. It has an industrial licence to double capacity to 48,000 units. A 'letter of intent' has also been secured for manufacture of 50,000 numbers of four-wheeler light-utility vehicles at Nagpur, for which MIDC and SICOM have promised liberal assistance. The management has yet to decide whether to take up this project under a separate division of the company or to form a new company for the purpose. API has further applied to government and MRTP Commission for a separate licence for manufacture of another 24,000 units of three-wheelers per annum. This project too is intended to be set up at Nagpur, so that the Bhandup plant can concentrate on production of two-wheelers and the company can, at the same time, take advantage of the liberal assistance offered by the state government and its agencies. Meanwhile, API has approached the Central government for substantial price increases for scooters and three-wheelers to compensate the "unprecedented increase in the cost of men and material". The clutch and brake division has been shifted to Aurangabad, where production is getting stabilised. Government approval to shift manufacturing operations for flywheel magnetos to Aurangabad has been received and that for friction materials plant is expected. Machinery is expected to be shifted by the middle of next year. A scheme is being finalised for sale of the Lucknow division to Auto Tractors, to whom have been transferred the industrial licence for annual manufacture of 12,000 numbers of Leyland tractors — the collaboration arrangement API had with the British Leyland Motor of the UK — as well as the distribution arrangements — entered into with Projects and Equipment Corporation of India — in respect of the imported lot of 500 tractors. For 1972-73, API has turned out disappointing results, on account of prolonged labour unrest at all the company's establishments, and the power-cuts and drought in many parts of the country which further hindered the flow of raw materials and components to it. Total number of vehicles sold fell from 27,076 to 23,317 and profit-margins shrank, owing to rise in cost of inputs and "unrealistic restriction on selling prices" of scooters and three-wheelers. Together with a provision for certain adjustments in respect of prior years (Rs 4 lakhs), there was total deficit of Rs 67 lakhs. In their report, the auditors have pointed out that stores-accounting procedures at Aurangabad and Lucknow were inadequate. The directors say that there was difficulty in setting up the stores control system initially, when operations were being shifted from Bhandup to Aurangabad and that manufacturing operations in the Lucknow division were very much disorganised due to continuous labour unrest and irregular power supply so that production had to be quickly achieved whenever possible in "bits and pieces"; this hampered sys-

The Week's Companies

(Rs in Lakhs)

	API		Mysore Cements		ICL		Arlabs	
	Latest Year 31-7-73	Last Year 31-7-72	Latest Year 30-6-73	Last Year 30-6-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-6-73	Last Year 30-6-72
Paid-up capital	152	152	250	250	50	50	43	43
Reserves	129	144	229	206	53	47	22	24
Borrowings	668	504	210	275	258	237	109	104
of which Term borrowings	311	165	184	237	190	202	36	32
Gross fixed assets	837	709	863	849	216	182	159	139
Net fixed assets	514	447	532	566	121	113	91	74
Investments	5	2	—	—	—	—	1	1
Current liabilities	582	490	232	138	54	37	21	20
Current assets	946	836	364	297	282	244	105	116
Stocks	609	486	137	147	203	196	68	71
Book debts	208	241	84	68	76	45	30	38
Net sales	1345	1424	502	595	218	172	131	118
Other income	21	41	7	3	39	27	2	2
Raw material costs	921	931	89	103	143	108	73	52
Wages	226	225	37	31	46	45	15	14
Interest	65	52	21	24	7	6	9	11
Gross profit(+)/loss(—)	11	78	92	125	44	29	2	—
Depreciation provision	62	54	48	48	26	17	4	5
Tax provision	—	11	—	—	9	—	—	—
Net profit(+)/loss(—)	—51	13	44	77	9	12	—2	—5
Development rebate provision	11	9	35	40	7	8	—	—
Transfer to reserves	—	—	—	8	2	3	—	—
Dividend								
Amount	P —	4	P 7	7	E 5	5	—	—
	E —	10	E 22	22				
Rate (per cent)	P —	7.8&9.3	P 9.50	9.50	E 11	11	—	—
	E —	10	E12.50	12.50				
Cover (times)	—	0.50	—	1.36	1.40	1.60	—	—
Ratios (per cent)								
Gross profit/sales	0.82	5.67	18.32	21.01	20.18	16.86	1.53	—
Net profit/capital employed	—	1.62	6.39	10.53	2.49	3.56	—	—
Inventories/sales	46.02	34.13	27.17	24.71	93.12	116.28	51.91	60.17
Wages/sales	16.80	15.80	7.37	5.21	21.10	26.16	11.45	11.90

tematic stores accounting. They add that suitable remedial measures have been taken at both the units. The auditors have also reported that the system followed by the company for the disposal of scrap needs to be improved. Contrary to the earlier proposal, Scooters India has concluded arrangements with Innocenti of Italy for taking over its manufacturing facilities for manufacture of both scooters and three-wheelers. API is neither to participate in the equity capital nor to be associated with the management of that company. M A Chidambaram and C B Saran, who represented API's interests in that company, relinquished their seats on the board of that company. API's board is considering the question of increasing the equity capital of the company to improve the liquidity position and to augment the working capital funds.

MYSORE CEMENTS had a setback in production and sales during the year ended June 1973 on account of a strike by the workmen. Production of clinker fell from 3,85,080 tonnes to 3,39,275 tonnes, and of cement from 4,30,530 tonnes to 3,63,868 tonnes; despatches of cement fell from 4,31,659 tonnes to 3,60,973 tonnes. The directors complain that costs have been rising in all directions and margins have been shrinking. At the instance of government, the company has approached the Monopolies Commission to clear its application for setting up a new unit at Damoh in MP. Commenting on the government's decision to grant letters of intent and industrial licences to monopoly and big houses, with a view to overcoming the scarcity of cement in the country, the management says that this alone will not raise capacity: a fair return must be assured to the industry if it is to attract fresh investment.

INTERNATIONAL COMPUTERS INDIAN MANUFACTURE (ICL) has produced better results, with higher sales and higher gross profit. Net profit, however, turned out to be lower compared to in the previous year, owing to incidence of tax liability and higher provision for depreciation. Rates of depreciation have been increased, from 13 per cent to 18 per cent in respect of computers, and from 20 per cent to 25 per cent for test equipment. Consequently, the charge for depreciation is about Rs 5 lakhs more than it would have been if no change had been made. Ratios, both of inventories and of wages to sales, have come down appreciably — although total borrowings at the year-end increased and the company had to pay slightly more by way of interest charges. No provision has been made for the future retirement gratuity liability for employees, nor has the amount been ascertained. The board's borrowing powers are proposed to be increased, from Rs 150 lakhs to Rs 250 lakhs. The company's exports of machines, spare parts, and punched cards increased by about Rs 2 lakhs to Rs 21 lakhs.

ARLABS' selling agreement, entered into with Chem Mach in November 1970, has been modified because certain terms in it were found objectionable under the MRTP Act. Certain clauses of the agreement with Texdyes for distribution of some of the company's products were also modified. Prakash H Khatiwala, a director, and relatives are partners in the firm. The company has once again shown poor results despite higher sales, and it has skipped equity dividend. The directors blame restriction on electricity consumption and scarcity of certain raw materials for this. Trial runs were started recently at some of the plants put up under the expansion project. The company experienced difficulty in getting disbursements of part of the loan of Rs 9 lakhs, sanctioned to it under the new package scheme of incentives for expansion offered by the government of Maharashtra. The subsidiary, Pigments, Lakes and Chemicals, showed a loss of Rs one lakh on account of lower production owing to the power-cut.

"criticomments"

RIGHT OF WIVES AND CHILDREN

The Married Women's Property Act provides that a life insurance policy taken by a man specifically under the Act for the benefit of his wife and/or children will form a trust, free from control by his creditors.

Under the Estate Duty Act, the policy amount will not be added to his other estates, but will form an estate by itself, and estate duty leviable will be on the amount taken by itself.

This can mean a lot of tax saving for the man's wife and children, a right they enjoy under the Married Women's Property Act and the Estate Duty Act.

Let's take the example of a man with an estate worth Rs. 6 lakhs. The estate duty payable on his death is Rs. 1,02,000.

If instead his estate consisted of Rs. 5 lakhs and Rs. 1 lakh in a life insurance policy under the Married Women's Property Act, the estate duty leviable will be as follows: duty on Rs. 5 lakhs: Rs. 72,000. Duty on Rs. 1 lakh life insurance: Rs. 2,000. Total: Rs. 74,000. A straight saving of Rs. 28,000 for his wife and children, which is very useful when the breadwinner is no longer with them.

Another example: he leaves Rs. 3 lakhs as property, and Rs. 1 lakh each in life insurance under the MWP Act for his wife and two children. Duty payable will be as follows: on Rs. 3 lakhs: Rs. 27,000. On three Rs. 1 lakh policies: 3 x Rs. 2,000 = Rs. 6,000. Total: Rs. 33,000, instead of Rs. 1,02,000 on a Rs. 6 lakh agregated estate. Saving: Rs. 69,000.

This is in addition to the tax rebate a man enjoys in his own life-time on life insurance premiums. Thus a life insurance policy can help a family in more ways than one.

Linc CC-6

Calcutta Diary

A M

FIVE-YEAR plans are beautiful, lofty things; five-year plans have been debased beyond measure. Whence does all this fury come, this *ersatz* fury over *an ersatz issue*? Who goes there, friend or foe, halt and be counted. If you are a purveyor of the four and a half per cent rate of growth, you are mine sworn enemy, a reactionary and a wretch, let perdition overwhelm you. If, on the contrary, you wave the flag of a five and a half per cent rate of growth, a kiss on either cheek and maybe a Padma Vibhusana for you. The falsity which defines New Delhi's character leads to issues being formulated in such absurd terms with ponderous tracts being written on their basis.

Dilettante Politicians

If the choice were given to it, why should this nation remain satisfied with a bare five and a half per cent rate of growth per annum, for that matter? Why not ten per cent or even beyond? After all, if you tot up the sufferings of the Indian people — at least the majority of them — over the past quarter of a century, you can see that, not their willingness to suffer, it is the arrangement which has been at fault through all these years — the arrangement whereby the perseverence of the people, their toil and trouble, their waiting and patience, have merely created more opportunities for the dilettante politicians.

The formulation of five-year plans ought to be an occasion for economists to put these politicians in the dock. A high rate of growth is the prerogative of all deprived Indians, you have no business to play ducks and drakes with resources which the common people have spared, year in and year out, so that the nation could grow and prosper. If the nation has not grown and prospered, it is either because these resources have been diverted elsewhere, or because the necessary component of sacrifice on the part of the rulers — and the classes they belong to — has never been forthcoming. To indulge in hortatory poetry, without even a mention of the compelling need to bring the ruling class within the pale of national discipline, is to play the game exactly as the politicians would want it to be played. The ideas of the ruling class — didn't that curious-looking German, poring over books in the British Museum, once remark — are, in every epoch, the ruling ideas. And it is the idea of the ruling class to set technicians against one another, to set motivated cats among innocent pigeons. Thus it is that economists spoil for a fight among themselves, when they should really be on the same side of the fence, offering battle to the politicians.

But flesh is weaker than spirit; the economists succumb, they fail to discover a separate destiny for themselves beyond that of ingratiating pen-pushers, thankful for their daily bread and butter. They become Plato's functionaries, or, more appropriately, non-functionaries, since their basic function consists only of scribbling poetry, and poetry which is least bothered about political correlates. Thereby, a golden chance is muffed. For, if only for one furious moment economists would refuse to reduce the Plan to poetry and care to assert themselves, the politicians would cower in the corner: like the Upanishads or the Testaments, the Plan would then become the living credo of life.

Hollow Promises

What will not be will not be. The poetry stops way short of transforming itself into a credo. The economists, instead of being challengers, become the victims and the challenged. The politicians escape and continue to indulge in hollow promises. They live like Grecians, and — thanks to economists and such others — no occasion ever arises for them to die like Romans: nobody even demands that they should die like Romans.

As one looks round the country, inertia appears to be all-pervading. The system is sustained solely because no surrogate is available. Administration has almost come to a total stop. Transport refuses to work in important segments of the economy. Since arrangements for transport are uncertain, coal is not being carried. Since coal is not being carried, the steel plants are on the verge of closure and the power plants have turned temperamental. If transport does not hinder something else does, such as an intra-mural squabble within ruling groups, or a crass bureaucratic failure in supplying some vital raw materials or spares, or a row over the distribution of this or that essential article of consumption, or a particular explosion of emotion over a linguistic or caste tangle.

Atrophy in decision-making is accompanied by lack of moral courage. The rulers, for instance, cannot match their fiscal arithmetic. The crisis in oil supplies presents them with the opportunity to raise some extra revenue, by raising the excise on kerosene. But basic cowardice is also at work: not the need for revenue, but the objective of preventing adulteration of high-speed diesel by kerosene, is proferred as the reason for the rise in excise. A protest is lodged by a few politically powerful ones. Immediately there is a climb-down; a part of the freshly-imposed excise on kerosene is lopped off. By now prisoners of their own prevarication, the rulers are forced to reduce the levy on high-speed diesel, too, by an equal amount, and they end up by achieving something quite different from what they earlier had in mind.

A Facade

Ring-a-ring-a-roses, a pocketful of poses. Economic development and five-year plans, above everything else. So goes the pontification. Economic discipline must be enforced; the rule of the Congress party must, therefore, be established across the length and breadth of the country, because that provides the surest basis of national cohesion. However, in order that the party come to power here, there, everywhere, the electorate must be bribed in the short term. Fiscal discipline is, accordingly, breached all around; and all canons of inter-regional allocation of resources are flouted. How else does one make the elections safe in Uttar Pradesh and elsewhere? Beyond a point, the high-falutin socio-economic goals become a facade, and the medium itself turns into the message.

Let economists write and fight over five-year plans. Meanwhile, the ruling classes have to worry over problems of the short run. Who does not know that, if we fail to survive in the short run, the long run will lose all relevance? The exigencies of today therefore provide a cover for each successive violation of the cost-benefit calculus. They provide the substance of the rationale for the so-called planned economy being run increasingly on impeccable principles of *laissez-faire*. The nation would prosper, it is assumed, only if it is built first in one's own image; to do so, the spoils system must be amply used. Everything in good time, including the cost to be borne by the ruling groups and their friends so that the rate of growth could be accelerated. Meanwhile official releases of sugar are reduced progressively even as output soars

to record heights, and Maruti despite all that the Planning Commission might say in its essay becomes a law unto itself.

Consequently, each five-year plan resembles the contours of a Greek tragedy, pre-ordained, pre-packaged. Each of them has been, and will continue to be, a protagonist of a high rate of growth. None of the ruling politicians, however, will lift his little finger to ensure that this is brought about. And the people continue to languish. Fortunately for the politicians, the future is always postponable. Alibis have a way of presenting themselves. Scan through the speeches of the rulers and their obedient hangers-on, the scribes who pass as economists and you may be persuaded that if this country's growth has been retarded it is invariably on account of a number of exogenous factors over which the rulers have never had any control. Haven't you heard of the two — or several — wars forced upon us? Haven't you heard of the two — or several — droughts that have visited us? Aren't you also aware of the fact that we have had the misfortune of witnessing, during the process of our planned endeavour to eradicate poverty and income inequalities, the deaths of two of our great Prime Ministers? With such traumatic experiences, how could there be any major progress, how dare anybody suggest that India's stagnation is on account of the shortsightedness, folly, selfishness, unscrupulousness, or cynicism of it ruling classes?

We Propose, Arabs Dispose

Even as we step into the New Year, the vendors of the five point five per cent rate of growth in New Delhi have been bailed out by the Arabs — glory be to King Emir Faisal and the memory of Gamal Abdel Nasser. We had, after all, every intention of giving unto ourselves a noble Plan, a great Plan, a Plan poised for a sharply accelerated rate of growth as the universe has never seen. But, what we propose, the cussed Arabs dispose. If only they were not upto their tricks, we could have proved to the world what a fantastic pace we are capable of setting for ourselves. It is on account of the Arabs that our import bill would be affected; it is on account of the Arabs that our exports would fail to rise; it is because of the Arabs that external resources on concessional terms, which we could have expected to flow in, would now dry up; it is because of the Arabs, again, that the Japanese would decide to meet their commitments of fertiliser to China though not to us. Give or take a few hyperboles, and it would soon be seriously suggested that it is on account of the Arabs that we are unable to push through land reforms in the countryside or to impose a meaningful impost on lush agricultural incomes.

Some people have all the luck, particularly if they belong to the ruling classes in this country. And in case you dare demur, stand up and be counted; either you are an enemy of the people, or, it must be that our technical notes, which reflect the quintessence of India's pristinely glorious future, are beyond your comprehension.

FROM OUR CORRESPONDENTS

NEW DELHI

Soviet Aid: Where to Draw the Line

B M

IN the midst of the pervasive gloom over the economic situation and the declining trend in industrial production, a bright spot is the performance of the heavy engineering industry. The heavy engineering industry is primarily concentrated in the public sector and the working of the public sector units determines the industry's performance. The improvement in the working of the public sector units has been marked and is due largely to the fact that, for the first time, the managements of the industrial units have had an opportunity to function without bureaucratic interference and obstruction. The latest available figures of production of the units show that as against an output of Rs 145 crores during April to November 1972, production during the same period of 1973 stood at Rs 214 crores. The achievement is all the more creditable considering the steel, power and transport bottlenecks.

The performance of Bharat Heavy Electricals has been the most outstanding among public sector units in heavy industry. Bharat Heavy Electricals, formed after the merger of the Bharat Heavy Electricals, Hardwar, and Heavy Electricals, Bhopal, now appears to be geared to meeting the needs of the Fifth Plan power programme's requirements of machinery and equipment. The total value of production of the Hardwar complex jumped to Rs 122.32 crores during April-November 1973, of the Tiruchirapalli boiler plant to Rs 38.72 crores, of the heavy power equipment plant at Hyderabad to Rs 18.10 crores and of Heavy Electricals, Bhopal, to Rs 38.94 crores. These figures represent an improvement of between 60 and 100 per cent over the performance last year.

The Heavy Engineering Corporation has not done quite as well, but all indications are that it is also beginning to turn the corner. The principal problem here is the heavy reliance on imported components from the USSR. These imports are now expected to come through more smoothly after the recent visit of Brezhnev. A list of items and the sequence in which they are required to be supplied has been presented to the USSR authorities. Once the supply of components from the Soviet Union becomes steady, a significant expansion production is confidently expected. More heartening is the performance of the Mining and Allied Machinery Corporation (MAMC) at Durgapur which was at one time the most afflicted of the public sector units in this sector. With the demand for coal mining machinery expected to rise sharply, the position of the MAMC is expected to stabilise further. The proposal of the Action Committee on Public Sector Undertakings that the MAMC's rated capacity be scaled down by 25 per cent compared to the original estimates has therefore been rejected. In fact, the MAMC is now expected to offload some of the production lines which it had taken on in view of the lack of demand for coal mining machinery for which the plant is specifically designed, and to concentrate on its original production lines.

Skilful Dovetailing of Output

Impressive also is the working of some of the sick units taken over by the government in the engineering sector. Their production has improved significantly. This has been brought about partly by skilful dovetailing of their output with the production programmes of larger public sector complexes. The objective is to see that a large proportion of components required by the giant heavy industrial units like HEC and MAMC are manufactured in units like Jessops, Braithwaite, Richardson and Cruddas and others. This type of dovetailing is already seen to be yielding results. A major problem faced by these units is that during the industrial depression and when their own managements were weak they had accepted contracts at low prices which could not be executed except at a loss. An upward revision of the prices of their products was, therefore, necessary to match their costs. This has now been done in the case of railway wagons, which has given a strong stimulus to the operations of these units.

With the heavy engineering sector thus looking up, it is necessary to review the need for large-scale Soviet aid for supply of machinery and equipment for core sector projects in the Fifth Plan. According to the detailed projections of the Heavy Industry Ministry, total imports of machinery and equipment from the Soviet Union, which will consist entirely of parts and components, need not exceed Rs 300 crores during the Fifth Plan period. The rough break-up of this figure is as follows: Rs 120 crores of imports to support the production programme of heavy electricals, another Rs 120 crores for HEC and MAMC and about Rs 32 crores for the opening of open-cast coal mines. The Heavy Industry Ministry does not share the thinking of those, of whom there are many in the Planning Commission and elsewhere in the government, who are advocating turnkey projects and large-scale import of equipment in the name of speedy execution of projects.

Design of New Projects

The essential problem, once the heavy engineering and machine-building industries are geared to meeting the demand for equipment and machinery for the core sector projects as well as for such industries as cement, paper, textiles, etc, will be that of design and consultancy arrangements for execution of new projects and expansion of existing ones. If Indian engineering and design services are not organised and given the responsibility for this task — as has often happened in the past — reliance on foreign agencies for consultancy services will create conditions in which import of machinery and equipment will increase substantially at the cost of fuller utilisation of established capacities in the heavy engineering and machine-building industries. This is a real danger, as can be seen from the discussions with the Soviet coal team which was here recently.

No exception can be taken to seeking Soviet help to improve the working of the MAMC by importing essential parts and components for its production programme. Also, some equipment may have to be directly imported from the Soviet Union for the speedy opening up of some mines to get coal production going. But in the negotiations with the Soviet coal teams the emphasis was not on these types of assistance. The negotiations centred on Soviet experts taking up the responsibility for opening up of some of the open-cast mines and even for preparing feasibility studies for these projects. This is altogether unnecessary. Indian mining engineers are fully qualified in the field of open-cast mining and they do not have to depend on Soviet assistance. Similarly, new forms of turnkey arrangements are being made for Bokaro and Bhilai expansion. Of course, the anxiety to go in for turnkey arrangements is not confined to Soviet-aided projects only. They extend to other countries also — the deal with Toyo of Japan for setting up fertiliser plants is a notable example.

ECONOMIC CONFERENCE

Empty Ritual

THE Indian Economic Association's annual conference at Tiruchirapalli last month had an ambitious programme. Three interesting subjects had been chosen for discussion a year in advance: 'Theory of Profits', 'ECM and India' and 'Economic Analysis of the 1971 Census'. There were 15 papers, five each on the three subjects, and three rapporteurs' reports. These were thrown open for discussion in a series of group and general gatherings. A couple of general sessions were devoted to discussion of the current economic situation. There was also a special debate on 'Social and Economic Change'. V M Dandekar, who presided over the Conference, delivered his Presidential address on the theme of "Democratic-Socialist Path to Economic Development". V K R V Rao's lengthy inaugural discourse on "Some Fundamental Aspects of Socialist Transformation in India" set the ball rolling for the rambling discussions, mostly couched in very general terms.

Poor Quality of Papers

The quality of the papers read and the discussions was, to put it mildly, poor. Our more prominent economists have made it a practice of avoiding the annual conference of the Indian Economic Association unless they are compelled to attend because they occupy some position in the Association. Thus there was not a single past president of the Association at this year's conference, except V K R V Rao, who came as a guest to inaugurate the Conference, and D T Lakdawala who happens to be the editor of the Association's journal. It is true, of course, that these annual jamborees have progressively become the hunting grounds of charlatans and quacks; but it is also true that many of our senior economists are not particularly keen to test out their thinking on younger economists. With the image of these conferences thus spoiled, none of the Central government bodies — the Planning Commission, the CSO or the Bureau of Industrial Costs and Prices — cared to send any representative to the Tiruchirapalli conference, despite the large number of economists employed by them; there was a sole representative of the Reserve Bank of India.

Superficial Discussion

The discussion on the "Economic Situation in India Today" was superficial. Shanmugasundaram, who appeared quite unprepared for the task, initiated the discussion, but instead of the subject of the discussion he concentrated on Dandekar's Presidential address. This cleared the way for general outpourings on poverty, unemployment, income distribution, planning, power and transport bottlenecks, exports and what have you — all problems which will be with us for decades to come. There were few references to the specific problems marking the current economic situation, such as those of availabilities of different goods and services and demand management, production lags, procurement and distribution, the hold of speculators and hoarders and rich farmers on commodity markets, the dispensation of government funds for developmental and non-developmental purposes, deficit

financing and the economy's failure to regain the momentum of growth which has accentuated scarcities not only in the key commodity sectors but also in power, transport and fuel.

Dandekar's Presidential address was intended to be a blueprint for the Fifth Plan supposedly prepared by a one-member Planning Commission. To summarise, the address suggested that wage employment at the minimum poverty-line wage should be guaranteed to every able-bodied rural adult; in urban areas, the poverty-line minimum wage should be enforced by legislation, though there would be no guarantee of employment at that wage. The shift of incomes in favour of the poor would generate additional demand for commodities of common consumption and this would shift the terms of trade in favour of agricultural commodities and against industry. Dandekar considered such a shift "desirable". There would be no deficit financing at all — though there appeared to be some confusion, to which V K R V Rao referred in his comments, between deficit financing and government "borrowing from the banks". The objective of price policy for the Fifth Plan would be "a stable but gradually declining price level". All the rest would be left to market forces. Even the 'nationalised' trade in the essential commodities "must function on the principle of the market". One of the objectives of nationalised wholesale trade in foodgrains would be "to build and operate a buffer stock without administrative interference with the price and market mechanism".

Presidential Contentions Challenged

Not all the contradictions in the Presidential speech went unchallenged. Rao, Lakdawala, Bhate and Shetty raised many pertinent questions, but Dandekar ignored most of them in his reply at the end of the discussion. He was asked, for instance, how he proposed to bring about a basic change in the pattern of income distribution in favour of the poor without a commensurate change in the production pattern. How could the objectives of nationalisation of foodgrains trade be achieved by adhering entirely to the principles of a market economy? How could an interventionist policy for bringing about changes in income distribution be reconciled with reliance on the price and market mechanism for the production and distribution of commodities of common consumption? It was also pointed out that Dandekar's model envisaged constancy in money supply, and a stable (even gradually declining) general price level, accompanied by a shift of the terms of trade in favour of agricultural commodities. This implied an absolute reduction in the prices of manufactured goods. How could such a reduction in the prices of manufactured goods be achieved when Dandekar's model presupposed a deliberate push to the prices of wage-goods and even agricultural raw materials? The question was pointedly asked if it was empirically sustainable that official policies had tended to pay arbitrarily low prices for agricultural commodities.

In the discussion on the technical subjects, that on the theory of profit was perhaps the most noteworthy. One wishes though that P R Brahmananda, the Rapporteur on the papers on the subject, had resisted the temptation to play to the gallery. At the end of his report, he builds a model for surplus value distribution and introduces G (Government Consumption) which is an accumulation-depressant by definition. He then goes on to conclude that "G which eats up P (Profits) or keeps the latter under leash, does not help social justice, nor does it help growth". This is obviously incorrect. That apart, it does not follow from his 'model'. J H Adhvaryu in his paper on "A General Theory of Profit, Investment and Growth" similarly develops a model presenting the investment function in our economy as depending upon "the difference between the two saving functions and the share of profit in the national income, i e, P/Y". Adhvaryu confuses this share of profit in national income (P)/(Y) with the retained surpluses of corporate enterprises. He writes that these "acquire all the greater significance for investment and growth". It came as a shock to him that corporate retained surpluses formed just 5 per cent of total domestic saving in the Indian economy.

Slipshod Use of Data

An example of slipshod use of data was A C Minocha's paper on the "Rate of Profit in Indian Economy". According to Minocha, "profits after tax as percentage of net worth did not register any appreciable increase". However, the Reserve Bank data presented by him in respect of 280 large companies show that the percentage increased from 8.3 per cent in 1968-69 to 11.5 per cent in 1970-71. The same is true in respect of 1,501 large and medium companies studied by the Reserve Bank. Again, Minocha claims that "since 1965-66, the index of variable dividend securities has declined with occasional rise of a small order". In fact, the relevant index quoted by Minocha gradually rose from 76.7 in 1965-66 to 100.4 in June 1973. Quoting data on the rising incremental capital-output ratio from one of Brahmananda's earlier papers, Minocha writes that "the rising incremental capital to output ratio is an evidence of the phenomenon of diminishing returns". What Brahmananda and Minocha both fail to see is that if only the growth in investment, which has been poor during the past few years, had been faster, the incremental capital-output ratio would have risen still faster. In a developing economy, the growth in assets has to be faster than the growth in income.

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TAMIL NADU

Passing of the Periyar

E V RAMASWAMI, or *Periyar* ('the Great One') as he was popularly called, breathed his last on Christmas eve, following his close personal friend and bitter political opponent, C Rajagopalachari, by exactly a year. While Rajaji had gradually become obsolete to the political process in Tamil Nadu, Periyar had opted out of it when events overtook him. By then, his initially firebrand social movement, which had mounted a frontal attack on traditionalism and particularly on Hindu religion and the caste system, was already frozen into a traditionalism of sorts. Despite their divergent attitudes on social issues, Rajaji and Periyar had one thing in common: both were against any upsetting of the existing economic order. In the result, Periyar's anti-Brahminism and his attack on religion have made no more than a minor dent in Tamil society and the DMK which was the inheritor of his rebellious mantle has been totally absorbed by the system. Nevertheless there can be no justification for ignoring Periyar.

At the turn of the century, Brahmins in the Madras Presidency, forming only 3 per cent of the population, had established a virtual monopoly in all fields of learning and administration. The Justice Party, formed by upper-class non-Brahmins in 1916, primarily sought representation for non-Brahmins in the legislative council, the civil service and the courts. Having achieved these aims, through its obsequious loyalty to the British, the Justice Party faded away in the early forties. It was this organisation that Periyar joined and turned into the Dravida Kazhagam (DK), giving it a radically different orientation.

Periyar founded the 'self-respect' movement. The non-Brahmin could learn to respect himself only by learning to hate the Brahmin who had deprived him of his self-respect. Only this could redeem him from long-enforced patterns of servility. A man had to learn to assert his worth before he could look his oppressor in the face and say 'No'. The Brahmin could be fought only by befriending the British. Hence British Raj was better than Brahmin Raj. This was Periyar's message. The day of Independence, therefore, became a day of mourning for him. Earlier, he had led a massive agitation against the compulsory introduction of Hindi in schools because he saw this as an attempt to confront and subjugate the Dravidian with an Aryan language.

When Independence came, the younger elements in DK led by Annadurai, sensing that they had been overtaken by nationalism, broke with the party and formed the Dravida Munnettra Kazhagam (DMK). For its part, the DK, shunning political involvement, became a purely social reform movement.

Rationalism, of however limited a kind, was the cornerstone of Periyar's movement from the earliest days. His crusade against the caste system was aimed primarily against the Brahmin. Although he had been once in the frontline of the Harijan temple-entry campaign and his speeches had thrilled the hearts of many a Harijan, he was concerned with the problem of untouchability only marginally. His anti-Brahminism was rooted in his opposition to religion. He believed that to attack the Brahmin without attacking the source of his power was useless. Periyar conducted thousands of self-respect marriages without priests and vedic rituals. The mass media and cultural shows were effectively used to spread the message. His public speeches were very effective in debunking religion in the eyes of the masses. He identified Hinduism with puranic lore, and exposed to his listeners thousands of scandals and inconsistencies found in Hindu religious texts.

Periyar's attack on religion turned out to be a kind of armchair atheism as it did not concern itself with the social relations which give rise to and nurtured religious differentiation. As such it was bound to fail. In fact, with the deepening economic crisis, recourse to the religious sedative in Indian society has been on the increase, leaving only the closest followers of DK to hold aloft the torch of atheism in Tamil Nadu.

There was a politically radical phase too in Periyar's career. For a brief period after his return from the Soviet Union in 1931, he organised a series of conferences demanding abolition of Zamindari. He was promptly jailed for sedition. Although his socialist rhetoric faded after that, he would often say in later years that only a communist government could eliminate religion and casteism. Yet, in holding that it was the demolition of religion in the Soviet Union that had brought socialism to it, he had totally misunderstood the process by which religion had been destroyed there. It was this fallacious perception as well as his intense reaction to caste prejudices that drove Periyar to stubbornly substitute caste for class in his social analysis and in the remedies he prescribed.

Another element in his rationalist message was his campaign against the oppression of women. He championed the causes of widow-remarriage, of marriages based on consent, and of women's right to divorce, to property and abortion. Pointing out that there was no Tamil word for the male counterpart of an adulteress he fumed: "... the word adulteress implies man's concept of woman as a slave, a commodity to be sold and to be hired". Periyar's demand at a conference two years ago, that no odium should be attached to a woman who desired a man other than her husband (which the press so avidly vulgarised) as well as Periyar's advocacy of the abolition of marriage as the only way of freeing women from enslavement, were about as radical as the views of any women's liberationist.

Periyar's style of functioning was dubbed as crude and vulgar by the Tamil elite. But it was precisely his uninhibited and direct expression, his lack of sophistication, and his uncompromising and strident style of criticism that made him a man of the masses. His constant touring and addressing of public meetings made him an extremely effective campaigner. In recent years his party had been holding periodic 'social stigma abolition conferences'. In the last few months the Centre had sought to create a stir over Periyar's old advocacy of a separate Tamil Nadu, suddenly taken note of now for political reasons — as was his Salem Conference on the eve of the 1971 elections. Periyar had in addition threatened confrontation with the Centre in late January, if by that time it did not bring in a constitutional amendment to make the practice of casteism an offence like untouchability. The threat will now probably never materialise. The DMK and the Congress in Tamil Nadu have in fact used Periyar as a political chequer block against each other. His closest followers, the DMK leaders in office, having prostituted their erstwhile atheism for political survival, had become his worst enemies. Even as they embraced him

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most effusively on every public occasion, they as easily blocked his movement at every turn. The communist movement too failed to adopt a scientific attitude towards him based on a study of his movement and the need for it. It has not seriously considered why Periyar enjoyed the tremendous popularity that he did, and whether Tamil nationalism with anti-Brahminism as its main component is always inimical to class struggle.

SARKAR COMMISSION

Public Money for Private Empires

FOLLOWING the revelations of the Dutt Committee Report, the government appointed a Commission under the chairmanship of former Chief Justice A K Sarkar to inquire into certain irregularities with respect to the grant of industrial licences and institutional finance to the large industrial houses, especially the Birlas. Though the Commission was appointed on February 18, 1970, little is known about what the Commission has been up to so far. Now, suddenly the Commission has come to life with its public hearing in connection with the allegations of undue favours shown by the public-sector Industrial Development Bank of India (IDBI) to four companies belonging to the Birlas and two companies belonging to the Bangurs. The Birla companies in question are Central India Machinery Manufacturing Company (CIMMCO), Industrial Plants, Bihar Alloy Steel and High Quality Steels and the Bangur companies are Shree Digvijay Cement and Jayshree Chemicals.

Its terms of reference require the Commission to inquire into (a) the circumstances in which certain financial institutions granted assistance by way of loans, underwriting of shares and debentures, purchase of shares or otherwise, to the larger industrial houses referred to in the Dutt Committee's Report; (b) whether any undue favour was shown or undue influence exercised in the grant of such assistance or in prescribing the terms thereof; and, (c) if so, the concerns, institutions or persons responsible. The Commission selected the IDIBI as the first institution for inquiry since it is the youngest among the term-financing institutions, having been established in July 1964, and so would have relatively few cases requiring investigation. The period of the Commission's enquiry is upto the end of 1967. During this period, the IDBI granted assistance to 13 concerns belonging to the larger industrial houses. Among them, the Commission identified the above-mentioned six concerns as the ones where there was a *prima facie* case for inquiry.

The Commission, proceeding at a snail's pace, could cover only CIMMCO and Industrial Plants in the first phase of its public hearings. Even this has taken more than three weeks so far. The next round of the Commission's hearings is expected to start in the middle of January.

The facts of the case relating to CIMMCO are as follows. CIMMCO completed its 6,000-tonnes steel castings project some time between January and March 1965. This was on a new article licence and, as declared by CIMMCO itself, the steel castings plant was intended to meet the requirements on its wagon factory. Around the time this project got completed, CIMMCO applied for and obtained a substantial expansion letter of intent for expansion of steel forgings capacity by 7,200 tonnes. Almost simultaneously, the Birlas obtained other letters of intent/licences for steel forgings in the names of other Birla concerns like Texmaco, Indian Smelting and Refining, Manjushree Industries, etc. None of the letters of intent (including the one issued to CIMMCO for expansion of steel forgings capacity) was converted into an industrial licence.

However, a different picture emerges about the expansion activities of CIMMCO from their application to the IDBI made in September 1965. The company had two expansion projects — one at Bharatpur for expansion of structurals from 2,500 tonnes to 15,000 tonnes costing Rs 75 lakhs and another at Gwalior for a steel castings and forgings expansion from 3,000 to 6,000 tonnes costing Rs 90 lakhs. CIMMCO claimed to have licences in both cases. Out of the total cost of the two projects of Rs 165 lakhs, CIMMCO wished to raise Rs 125 lakhs through a debenture issue which it wanted the financial institutions to underwrite. No project report was prepared because, it has been claimed, it was an expansion scheme. IDBI was asked to underwrite Rs 40 lakhs. Applications were made simultaneously to LIC and ICICI and IFCI was informed a month later. Out of the total debenture issue, debentures worth Rs 91 lakhs were given to sister concerns like Jiyajeerao Cotton Mills and Hind Cycles as outstanding dues. This was the original application. Some time later the scheme was changed. It was claimed, in the wake of the September 1965 Indo-Pakistan War, that the project was a defence-oriented one. Under the changed scheme the cost of the Bharatpur expansion was estimated at Rs 70 lakhs and that of the Gwalior expansion at Rs 106 lakhs, including Rs 34 lakhs specifically on account of the supposed defence-orientation of the scheme. IDBI and IFCI were informed of the contemplated change, but LIC and ICICI were not. Till February 9, 1966, the day the memorandum to the executive committee of the IDBI was prepared, there were no orders or approvals from the defence department. On February 16, on the day of the meeting of the committee, some officer in IDBI was told orally about the materialisation of some defence order. On the basis of such scanty information, IDBI sanctioned Rs 40 lakhs of underwriting. When the public issue, made on May 10, 1966 was not subscribed to at all, the IDBI disbursed the entire sanctioned amount.

The Commission, which was represented by a retired judge of the Calcutta High Court, used three main arguments to show that IDBI had in fact shown undue favour to the Birlas. First, in the absence of any project details and particulars, and especially in the absence of any definite defence orders or approvals, the project was not assistable. Second, it was beyond the scope of the IDBI, as a development bank and as one charged with co-ordinating the functioning of the other term-financing institutions, to give assistance for purposes of repayment of loans, especially to sister concerns within the same group. In this context, the purposes for which IDBI was set up under the IDBI Act of 1964 need to be recollected. These were (a) to co-ordinate the activities of other financial institutions (including banks); (b) to supplement their resources; (c) to plan and promote industries of key significance to the industrial structure; and (d) to adopt and enforce a system of priorities in promoting future industrial growth. The third argument of the Commission's counsel was that since Rs 34 lakhs were meant for defence purposes, IDBI could have withheld its

assistance until such time as definite defence orders materialised. In any case, Rs 70 lakhs out of the total debenture underwriting assistance of Rs 125 lakhs ended up as deposits with Jiyajeerao Mills.

This was the case for the prosecution. The defence for IDBI argued that, on the first count, IDBI gave assistance only after satisfying itself about the feasibility of the project. If the project did not finally materialise, that was the fault of neither IDBI nor the Birlas. The project was held over because of the recession. Gory accounts of the recession were read out from the Reserve Bank *Bulletin* in support of the argument. Secondly, it was argued that no exceptions to the accepted principles and norms of IDBI's assistance were made in this case. Loan repayment was the immediate purpose, but subsequently the project would be financed through internal generation of resources. The assistance would thus ultimately serve the purpose of industrial development for which IDBI had been set up. In any case, there was a precedent, in the case of Associated Bearings, of IDBI assisting loan repayment. It was, however, pointed out in reply by the Commission's counsel that in the case of Associated Bearings IDBI had "reconciled" itself to the decision of the other financial institutions. With regard to the Commission's third argument, the defence was that IDBI's assistance played the role of 'rolling money' — it generated resources over time which could be used in case the defence orders materialised.

IDBI's defence was a weak one. As was pointed out by the counsel for the Commission, the circumstances in which the assistance was given were not beyond suspicion. There were too many twists and turns in IDBI's decision-making for it to be considered otherwise. For example, CIMMCO's claim that production of defence equipment, like ammunition trailers, would save much-needed foreign exchange and promote import substitution, did not appear to have been checked by IDBI either before or after the sanctioning of assistance. The proposal about production of defence equipment figured only in the supplementary note of CIMMCO to IDBI. Similarly, though the money had been paid to CIMMCO on June 28, 1966, it was not utilised for the purpose of expansion for which it had been obtained. On the other hand, in clear contravention of the condition laid down in a letter written before sanction by the manager (appraisal) of IDBI, Rs 70 lakhs of the Rs 125 lakhs received by CIMMCO was kept in deposit with its then holding company, Jiyajeerao Cotton Mills. This condition was not, however, included in the final assistance agreement, for no assignable reason. The circumstantial evidence against IDBI is thus formidable. As for the defence counsel's argument about the pressing circumstances in which CIMMCO required IDBI assistance to pay back its debts in time to its sister concerns, it was aptly pointed out by chairman Sarkar that "it is difficult to imagine Birla squeezing Birla!"

In fact, the Commission's case could have been even stronger. Two points overlooked by the Commission's counsel need to be pointed out. First, IDBI granted assistance for the steel forgings expansion project even before the conversion of CIMMCO's letter of intent into an industrial licence, which is in direct contravention of the rules of operation of public financial institutions. Even if underwriting or other assistance is sanctioned before such conversion, in no case is disbursement permitted unless the investment project is completely finalised. We are by now familiar with the pre-emption of licences by large industrial houses. This was a case of pre-emption of finance, which the assisting financial institution itself seems to have made possible. The second point is that the underwriting of the debenture issue — that too for a dubious project — in 1966, when the capital market was positively at a low, is evidence of negligence, if not worse, on the part of IDBI. If IDBI thought it fit to assist the project, it could have given a normal loan.

The Industrial Plants case is much simpler. IDBI underwrote Rs 13 lakhs of an equity issue by Industrial Plants. The project cost was Rs 183 lakhs. The case against IDBI is that it assisted a project which had inadequate promoter's stake — the Birlas were contributing only 8 per cent of the total project cost as against the norm of a minimum 15 per cent contribution. IDBI's defence was that the total direct and indirect contribution of the Birlas worked out to much more than 8 per cent. This argument, however, depends on the inclusion of the underwriting (which did not ultimately devolve on the underwriters) done by Shantilal Thar, a Birla associate.

What, one wonders, will be the outcome of all this ponderous investigation. The Sarkar Commission's term has been extended upto the middle of February 1974. How examination of all the remaining cases can be completed in just one month is anybody's guess.

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BRITAIN

Nationalising Disruption

Farrukh Dhondy

IDI Amin announced last week that he was setting up a 'save Britain' fund and sending this country a food parcel to help it out of its troubles. In one of his characteristic Commonwealth court jester jibes, he appealed to the former colonies to help their old masters out of a mess. With Amin one can never tell where a joke ends and politics begins, but I suppose he was cashing in on the third world's demonstrated ability to slow Europe noisily down.

If his point was to call attention to the friction caused by the shortage of oil, Heath for one was trying very hard to miss it. Cabinet ministers have gone out of their way to deny that oil is at the root of the problem. They insist there's enough to go around even if the price has to rise to 50 pence (Rs 9) a gallon, and that rationing it to motorists is the severest thing that they need to do. Britain's crisis, they say, has been caused by the miners controlled by the reds. The question is one of power, not in the literal sense of coal and oil but in the more fundamental sense — who rules the country, the power of organised labour or the power of public opinion in support of capitalist parties?

Britain is promised a cold winter. The National Union of Miners, the most powerful section of the real British opposition, have imposed a ban on overtime work and cut the country's coal production by 35 per cent. The railway union, fighting the government's wage policies in concert with the miners, refuses to transport all the coal that's brought to the surface in the collieries, again by simply banning overtime.

The miners have been offered every possible permutation of a settlement within what the government calls its anti-inflation policy, and have resolutely held out for the £ 8 a week more that they have demanded on their basic rate. Their second attempt in two years to break through the cordon of law with industrial power is seen as more than a wage dispute because its repercussions have brought about the most serious political situation since the last war. The Vice-President of the Union, Michael McGahey, a Communist Party man, says its the miners collective wish to overthrow the profiteer's government and put a CP and Labour majority in its place. The Labour party, to whom most of the leaders of the unions are affiliated, has no such wish of course. Wilson has displayed trembling knees at the miners' demonstration that their normal working hours leave the country without the coal it critically needs.

Giving way to the miners' wage claim will mean that the government will suffer defeat. The balance of payments, the expansion drive and the attempt to fight off the effects of inflation on investment and profit, and hence on employment, all depend on the success of the government's anti-wage rise policies. Every union in the country will follow the miners through a breach in policy.

The Tories are in no mood to give way. Rather than pay the miners, they have announced a series of emergency measures calculated to bring the country to a standstill and bring as many sections of the population as they can carry into conflict and confrontation with the miners. The present crisis, with a deficit of £ 1,500 million in the balance of trade and price rises of over 20 per cent in a year, could ultimately make the thirties look like a garden party.

Though the Tories have no long-term perspective for getting out of the mess, they have staked their all on a fight with the miners. The emergency measures have put most industries and services on a three-day week from the first of January. In practice this will mean a partial closure for even the essential industries such as steel which will immediately make 100,000 workers redundant. The government will have to contend with their displeasure if it can be turned against the Steel Corporation and the government rather than against the miners.

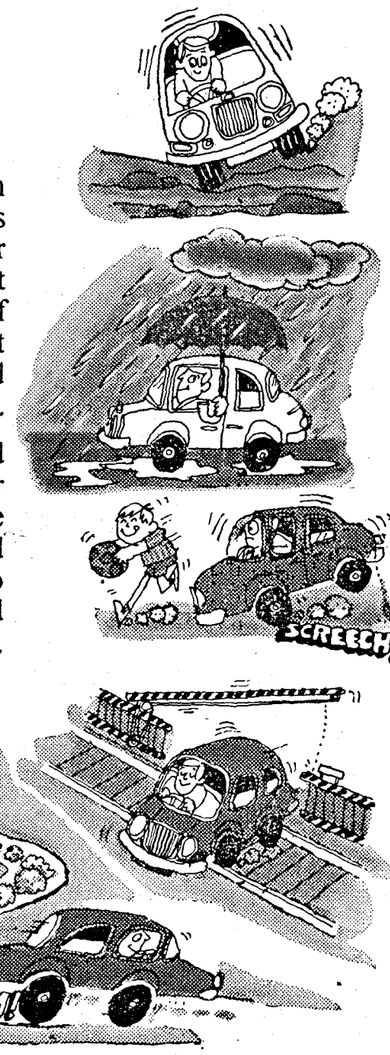
There are several ways of preserving power, but the government has chosen the one that will either challenge the unity of the unions or their combined strength. Many industrial workers and some service and office workers will be paid for only three days in the week and be laid off for the rest. But engineering and car workers in the Midlands have accepted the challenge of the national lock-out and are demanding five days pay. They threaten to close industry down totally rather than accept an indefinite cut in their wages. If other branches of industry follow, as seems likely, the government will use its option to call a general election.

The toughs within the Tory party, said to include Chancellor Anthony Barber, anticipate and welcome the deadlock. They are confident of dealing a decisive blow in the class war, using a snap election as their chief weapon. Their argument goes something like this: "We close the country down and point at the greed of the miners. The militants pull the disunited unions into a half-hearted, demoralised general strike. The Labour Party has more or less the same attitude to the unions, only it can't show the country that it is willing to smash the power of organised labour. We've got legislation to sequester all union funds, well-trained mob control squads and enough police to smash pickets and so on. The Trades Union Congress leaders have repeatedly shown that they are willing to negotiate with a new Tory government. An election will give us a decisive majority as the voters always tend towards the *status quo*, especially when no alternative parliamentary leadership is forthcoming. With an enhanced majority we can bring in what measures we like."

This argument, composed more from speech-reading than mind-reading, is not that simple. Heath and other dovish tendencies in the party realise that they cannot call an election to break the unions and expect the unions to give them a vote of confidence. With eleven million unionised workers in the country and a public surprisingly sympathetic to the miners' cause and alarmingly sensitive to the burden of rising prices, the country may very well turn to anybody they can lay their vote on. Even if the Tories do win an election, the parliamentary medicine will not cure the endemic disease. However large a majority the Tories have in the House, the government will have to use more than promises, persuasion and television to push the workers back to happiness within the terms of the wage freeze. Most dangerous of all will be the attempt to run the country under laws which large and powerful sections of the country are willing, ready and forced to defy. The parliamentary majority will count for nothing if the fight is taken to the streets.

The rank-and-file action of the unions has already forced the Tory Industrial Relations Act into a deep freeze. At the start of the crisis, William Whitelaw, chief trouble-shooter of the party and ex-boss of the Irish campaign, was called in to handle the unions. He declared that the law

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would not be used against the present go-slow workers. He has proposed that the letter of the wage law be followed and that the pay board dodge its spirit by allowing the miners an increase on their basic wage by disguising it as payment for the time that miners spend before and after they work at the seams. In other words, they will be paid for bath time and for the time spent in fetching and leaving gear. Even if this measure is accepted, it is too late to call off the three-day week. That the government can only afford to do when coal supplies are normalised and wages are once again connected to full production. Even then the procedures for accepting the offer will take till the end of January.

Meanwhile Britain prepares for nationalised disruption.

THAILAND

Reluctant Rulers

Harish Chandola

THE King and the new government of Prime Minister Sanya Thammasak have now become the most popular elements in the politics of Thailand. Both have taken steps to dismantle the superstructure created by the ousted military regime of Marshal Thanom Kittikachorn to keep itself in power. The most recent of such steps was the dissolution on December 17 of the National Assembly which was full of military officers and other henchmen of the ousted regime. Some members of this Assembly had already resigned because in the new situation the Assembly had become meaningless.

The students who toppled the dictatorial regime appear quite happy with the role now being played by the King and the new government. The King had quietly opposed the old military regime which had tried to suppress him. There were rumours that the strongman of the former regime, Deputy Prime Minister Marshal Prapas Charusathiara, and his son-in-law, Colonel Narong Kittikachorn (son of the former Prime Minister), were planning to do away with the institution of monarchy and get themselves declared as President and Vice-President, respectively. Last year, it is reported, there was an attempt to shoot the King's son in Australia where he is studying. This incident is now being linked with the conspiracy to do away with the institution of monarchy.

Throughout the past troubled years, the King remained constantly in touch with the students. He used to visit both Chulalangkorn and Thammasat Universities and in his talks to students used to be openly critical of the corruption of the military regime and its other actions. The Marshals did not like that and they had therefore told the King not to provide encouragement to students who they thought were turning radical. The King was in no position to overrule the 'advice' given to him by the military government, as the institution of absolute monarchy had been brought to an end as far back as 1932. But he did not stop visiting the universities and continued to remain in touch with the students. The King also travelled all over the country to keep in touch with the people.

Thammasak's government is extremely popular partly because it has made it very clear that it is only a caretaker government and its mandate is to give the country a constitution and arrange for popular elections so that Thailand can have a democratic government. It hopes that the drafting of a constitution will be completed by next April and elections will be held in another three months. Then, this government's work will have ended.

It will be the new, elected government's task to lay down the domestic and foreign policies of the country. The present government will let the old administration function almost as it did before, of course without the excesses, because bringing about a change in the system of administration would also be the task of the popularly-elected government.

There has been some criticism of Thammasak's government for seeking the advice of student leaders at every step for almost everything it does. A prominent Thai newspaper, *Siam Rath*, has asked: "Are the students running the government?" I recently met the Deputy Prime Minister, Sukich Nimmanhemin, and asked him about this criticism of the government. He replied that the members of the new government could not forget that they are there because of the sacrifices of the students. He said: "We older people feel very ashamed that we did nothing to oppose the tyranny imposed upon the Thai people by the military dictatorship. It was the young people who rose up, made great sacrifices, and brought to an end the black night of despair that had descended upon Thailand. The young people paid with their blood the price of this change that we now have. How can we forget that? We are in the government because the students have put us there. We are not the elected representatives of the people. We are there by courtesy of the students. Why should we not consult them? Who are these people who are questioning the authority of the students? These are people who have done well under the military regime and they now wish to tell the country what it should do."

Since there are no political parties in Thailand (except the underground Thai Communist Party), I asked the Deputy Prime Minister if the Prime Minister or he himself would be forming a political party to contest the elections that are to be held in a few months' time? He said that he and the Prime Minister had decided that neither of them would form political parties or contest the elections. As soon as a constitution was drafted and elections held, the Prime Minister and he would consider their task over. The Prime Minister wished to go back to his university campus (he had been the Rector of Thammasat University) and Sukich Nimmanhemin would go back into retirement. They had no wish to seek positions in the government to come.

I asked about the priorities the elected government should have after taking office. The Deputy Prime Minister initially said he was not competent to answer that question. But then he added that whoever took office must first look to the economic problems of the country instead of attending to problems of foreign policy. There were people in the country who were still hungry and there was unemployment and there were many other domestic problems crying for solution.

What did he think of SEATO? He thought SEATO was somewhat unnatural. It was like putting into a soup, chicken, geese, ducks, foxes and wild cats. In it there were countries which were geographically far apart and whose interests were different. There was no understanding among them. He was aware of the opinion that SEATO should be dissolved and of the demand by many in his country that Thailand must withdraw from SEATO if it was not dissolved. But he felt that his mandate was only to see that popular elections were held to form a democratic government. The new government, which would be elected by the people, would have to decide what to do with SEATO and with the US military bases in the country, he concluded.

A challenging future calls for greater austerity & hard work

Kamaljit Singh, Managing Director (Marketing Division), Indian Oil Corporation Limited



Shri Kamaljit Singh

Following is the speech delivered by Shri Kamaljit Singh, Chairman of the 14th Annual General Meeting of the Indian Oil Corporation Limited held on the 17th December, 1973 at New Delhi:

At the outset, and before going over the working results of the year, it is necessary to dwell on some recent developments in West Asia, which are of considerable importance to the oil industry in India. Various factors have helped to push up the world prices of crude oil to phenomenally high levels. Compared to the prices of crude oil prevailing about two years back, the present prices in West Asia are almost ten fold. Such a steep increase in so a short period has been unprecedented in the world crude oil market. These developments have, at one stroke, increased steeply the foreign exchange drain on the country for the import of crude oil and other petroleum products. It is also not easy to secure adequate supplies of oil, either on a short-term, or on a long-term basis. The outlook for the future is neither bright, nor even clear; and India alongwith several other Nations, has had no alternative but to tighten its belts and seek all possible steps for the conservation, and a very cautious utilisation, of the available energy resources. Obviously, such a major development is bound to affect the future outlook of your Corporation as regards growth, planning and profitability. While the Government of India and your Corporation are fully alive to this problem, it is much too soon to estimate what precise effects will be felt on the progress and profitability of your Corporation in future years.

YEAR OF CHALLENGE

Turning to the year under report, 1972-73 turned out to be a year of sustained progress for your Corporation, the details of which will be mentioned later. However, despite such progress, during the year 1972-73 itself, signs were evident of grave stresses in the national economy and steep increases in the cost of living; and these necessarily had their influence on the style and working of your Corporation. Even though your Corporation made increased profits during the year, it had to take several steps for economy and austerity in its operations, in the context of the overall national economy. For example, your Corporation has dispensed with the customary printing and distribution of Calendars and Diaries for the year 1974. At the same time, your Corporation was also called upon to shoulder increasingly higher responsibilities towards society and to foster the common weal. The year was one of severe drought and acute scarcity in several parts of the country and your Corporation made substantial donations to various Relief Funds. In brief, though your Corporation continued to be the leader in the corporate sector, with the largest profits of any company whether in the public sector or in the private sector, it has had to assume a dual role, on the one hand as a pace setter for economy and austerity, and, at the same time, as a torch bearer in fulfilling larger social responsibilities.

WORKING RESULTS

For your Corporation, it was a year of continued progress on all fronts. During the year, the three refineries at Gauhati, Barauni and Koyali processed a total quantity of 6·91 million metric tonnes of crude oil, as against 6·72 million metric tonnes in the previous year. The sales turnover of your Corporation amounted to Rs. 996 crores as against Rs. 862 crores in the previous year, resulting in an increase of 15·55%. The total volume of products sold also increased by 10·60% going up from 13·68 million kilolitres to 16·00 million kilolitres. The overall market participation of your Corporation increased from 54·2% to 59·2%.

FINANCIAL RESULTS

The total profits during the year, before providing for depreciation and interest, were Rs. 66·32 crores, as against Rs. 53·42 crores in the previous year. In 1972-73, the net profits, after providing for depreciation and interest and for adjustment of prior years, were Rs.49·17 crores as against Rs.36·94 crores during the previous year. Your Corporation is determined to make every effort to maintain its profitability, inspite of adverse conditions and the grave challenges looming ahead.

The paid up capital of your Corporation continued to be Rs. 71·18 crores. During the last nine years, your Corporation earned net profits totalling about Rs. 127 crores, and channelised general revenues to the Government through Customs and Excise Duties to the tune of about Rs. 1900 crores.

Your Corporation has been repaying to the Government of India, according to schedule, the loans taken from them. Out of total loans of Rs. 94·53 crores drawn from the Government of India since 1964, your Corporation has repaid about Rs. 69·36 crores and the loan due to Government on 31-3-1973 stood at Rs. 25·17 crores. Various steps were also taken for the prompt collection of outstandings due to your Corporation from the customers. At the end of the year, the total outstandings from customers represented about nine days' sales.

CONSTRUCTION OF NEW REFINERIES

It was a day of great significance for your Corporation when the Prime Minister recently laid the foundation-stone of the proposed refinery near Mathura with an initial annual capacity of six million metric tonnes, and with provision for possible expansion at a later date. Various preliminary steps have already been taken in order to commence the actual construction of this refinery as early as possible.

As an adjunct to the refinery, a 1200 Kms long pipeline has been planned from Salaya, a village on the Gujarat coast to Mathura. Reconnaisance surveys and other investigations have been conducted over the proposed route of the pipeline. Your Corporation is also planning to commission the most up-to-date unloading facilities for crude oil at the offshore terminal near Salaya. Necessary hydrographic and Seismic surveys have been undertaken recently. This will be the largest refinery complex in India and, together with the pipeline and other related facilities, will cost about Rs. 217 crores. We are glad that technical collaboration has been promised by the U.S.S.R. in a large measure for the construction of this refinery.

The construction of the Haldia Refinery has reached an advanced stage, inspite of various difficulties and delays during the construction phase. Fuel part of the Refinery is expected to be commissioned in middle 1974.

OPERATION OF EXISTING REFINERIES

As regards the three operating refineries, the Gauhati Refinery had a crude throughput marginally less than in the previous year, due to emergency shutdowns and shortage of power. However, the refinery commenced production for the first time, of low-sulphur fuel oil for the use of the Chandrapur Power Station, and also of liquid petroleum gas (Indane). The Barauni Refinery processed 2·39 million metric tonnes of crude oil as against 2·28 million metric tonnes in the previous year. The refinery also processed imported crude for the first time during the year, after minor modifications were successfully made to the refinery facilities. Your Corporation has worked out a major scheme for revamping the Barauni Refinery, to enable it to process imported crude and achieve a capacity of 3·4 million tonnes per annum. The Gujarat Refinery processed 3·73 million metric tonnes of crude oil as against 3·64 million metric tonnes in the previous year. Schemes for expanding the capacity of this refinery to 7·3 million tonnes per annum have already been approved by the Government and preparatory steps are in progress. Your Corporation also proposes to maximise the production of Benzene, to meet the demands inside the country and for possible export. In order to improve the general working of all refineries, a service-group has been established as part of a Central Services Organisation. This group renders technical advice to the refineries in various fields like corrosion control, improved maintenance, import substitution, etc. It is gratifying to note that the Ceylon Petroleum Corporation of Sri Lanka has also been subscribing to this Central Services Organisation, thereby pooling the available expertise.

PERFORMANCE OF PIPELINES

The Gauhati-Siliguri, the Barauni-Kanpur, the Barauni-Haldia, the Haldia-Maurigram and the Koyali-Ahmedabad Product Pipelines transported a total quantity of 3·23 million metric tonnes of products during the year. Your Corporation commissioned the Haldia-Maurigram Section of the Product Pipeline during the year; this pipeline transported more than 6 lakh metric tonnes of products during the year.

Construction work on the Maurigram-Rajbandh section of the pipeline is in progress. From November 1972, the existing Haldia-Barauni product pipeline was used for the transportation during the rest of the year, of about 1·7 lakh metric tonnes of crude oil from the Haldia port to the Barauni Refinery. Your Corporation's pipeline engineers also successfully handled difficult assignments like realigning and lowering the submerged river crossing section of the Haldia-Maurigram pipeline to allow for desilting of the Damodar river bed and the emergency diversion of a section of the Koyali-Ahmedabad product pipeline due to change in the course of the river Watrak; and these tasks were completed without interrupting pumping operations. For the continuous and efficient maintenance and monitoring of pipeline operations, your Corporation is taking steps to introduce the most modern ultra high-frequency telecommunication system for the Haldia-Barauni-Kanpur product pipeline.

MARKETING ACTIVITIES

Storage Facilities:

Besides the existing network of 16 port installations, 8 pipelines installations, one inland installation and 115 bulk depots, the Corporation, has commissioned storage facilities for use by the Railways, Cement Companies, Fertilizer Companies, the State Trading Corporation etc. Additional bulk storage facilities are being commissioned at Mangalore, Tuticorin and Bombay.

Retail Trade:

Your Corporation's retail trade made impressive progress during the year. 159 new retail outlets were commissioned, bringing up the total to 3311 at the end of the year. Out of the existing retail outlets, 288 were further modernised by provision of additional facilities, remodelling, etc., thus enabling better service to the motoring public. With these steps, the average monthly sale per retail outlet went up substantially (Motor Spirit from 12 KL to 15 KL and H.S.D. from 31 KL to 39 KL per retail outlet). As a result, for the first time in the history of your Corporation, motor spirit is not being raised to sale to the private oil companies.

Your Corporation's retail trade has also helped to give gainful employment to several war veterans or their families. As on 31-3-1973, as many as 450 dealerships and distributorships were awarded to defence personnel, their widows or dependents, besides 340 to unemployed graduates, in terms of the older scheme. To improve the retail supply of kerosene, your Corporation has recently undertaken the sale of kerosene at selected points directly to customers, over and above the normal trade channels of supply through agents.

Indane:

The erratic supply of electrical energy and other fuels has created a sudden spurt in the demand for Indane (LPG) used as a domestic fuel and the number of enrolled Indane customers went up by more than 30%, as compared to the previous year. As cylinders were not available in adequate numbers, and as there were rail transport bottlenecks due to floods, etc., there have been sporadic difficulties in reaching Indane gas promptly to customers in some areas. Your Corporation is giving extra attention to these problems and has taken definite steps to ensure the prompt supply of Indane to customers in outlying cities also.

Imports:

During the year, your Corporation imported approximately 3·5 million metric tonnes of bulk refined products and base stocks, valued at about Rs. 60 crores. Your Corporation also arranged for the imports of more than 9 lakh tonnes of crude oil on behalf of Bangla Desh, besides despatching about 1·2 lakh tonnes of petroleum products from India to Bangla Desh.

Import Substitution:

Your Corporation continued to attach the greatest importance to developing indigenous equipment and processes, in order to reduce dependence on imported parts and to save foreign exchange. Three officers of the Aviation Department of your Corporation were awarded "Import substitution awards" and your Corporation received a silver shield for the development of the 45 kilolitre giant refueller for Jumbo Jets. In the field of lubricants, your Corporation accelerated the process of change-over from Mobil premium branded products to IOC's own brands. Several additional brands received the necessary authorisation from the standardisation authorities controlling the specifications. Thus, the proportion of IOC's own brands (in the total production by the Indian Oil Blending Limited, a 50-50 partnership concern between your Corporation and Mobil Corporation Inc.) increased from 40% during the last year to about 61% during the current year. Your Corporation's officers in the Refineries & Pipelines Division were associated with the "Technical Development Committee for indigenous materials" formed by the Refinery and Fertilizer Industry and several complicated items like high temperature service valves, tubes for heat exchangers, cathodic protection rectifier units, flow recorder charts, fuel injector pipes, etc. were got indigenously fabricated.

ECONOMIES AND IMPROVEMENTS

In the face of continuous challenges, your Corporation took several steps for achieving economies. By closer control on all operations during marketing, the percentage of stock losses during storage and handling was brought down from 0·06% in the previous year to 0·03% in the current year. Inland distribution arrangements were generally improved in consultation with the Railways. Your Corporation's fleet of tank trucks was also used more intensively (resulting in a 14·2% increase in utilisation). Likewise, the tanker fleet handled a larger number of shipments, as compared to the previous year. Efficiency Research Studies of Systems and Procedures were conducted to ensure better utilisation of manpower and other facilities. In order to instil productivity consciousness, various programmes and training schemes were carried out at all levels. These steps resulted in increased productivity, reduced cost per unit sale and improved profitability during the year.

WELFARE

Your Corporation took an active part in fighting drought conditions in various States by making several tankers available for distributing water. Apart from this, your Corporation also made liberal donations to the Drought Relief Funds of the State Governments. Apart from cash donations made directly by your Corporation, donations were also made voluntarily by your Corporation's employees and dealers.

Your Corporation continued to devote adequate attention to various welfare measures to the employees. The Industrial Relations were, by and large, satisfactory, consequent upon the management establishing a line of communication with the employees. The relationship with the union leaders is cordial and regular meetings are held with the staff at all levels to establish whether there are any problems and to evolve quick solutions. The Long Term Wage Agreement with the employees of the Marketing Division ended on 31-12-1972. The Agreement with the Refineries and Pipelines Division is due to expire on 31st December, 1973. Your Corporation entered into a Short Term Wage Settlement with the unions of the Marketing Division for the calendar year 1973, which hopefully would pave the way for wage negotiations for the future. It is my firm belief that a band of well trained and dedicated employees is the most precious asset for any Organisation. This is particularly true at this juncture when the country and the oil industry have to face major challenges in future. In order to prepare the staff and officers for the onerous tasks that lie ahead, your Corporation has an intensive training programme for the employees. The objective is to impart new skills and knowledge to the staff and officers, so that they are in a position to shoulder the responsibility and authority delegated to them. This has enabled your Corporation to fill up most management positions by promotion from within, instead of resorting to external recruitment.

I am confident, that whatever changes may take place in future in the overall energy picture of the country, oil will continue to have a crucial role. And therefore, while I take this opportunity to place on record the appreciation of the work of all employees and dealers of the Corporation during the year, both on behalf of the Board of Directors and on my own behalf, I once again invite all concerned to face the challenges of the future with an increased sense of dedication and by sustained hard work. I am sure your Corporation can meet the challenges of the future with confidence and competence.

With these remarks, I now propose that the accounts be adopted.

This does not purport to be a record of the proceedings of the Meeting.

IRAN

Regime of the Well-Oiled Gun

Darryl D'Monte

NOTHING illustrates the contradictions within Iran better than the state of its capital. The northern part of Teheran, just short of the snow-capped mountain ranges, is new, modern and aggressively 'western'; to the south of the city, however, people still live in 'oriental' chaos and squalor. Six years ago, I had stayed free in a gurdwara in south Teheran; when I recently revisited the city, this time as an Iran government guest attending an international film festival, we were housed in a luxury hotel in the northern sector, safely insulated from realities.

A British journalist covering the Teheran film festival said, somewhat ruefully, that it was nice to smell oil again in the heated lobbies of posh hotels and other buildings. Indeed, the upper half of the capital reeks with prosperity, earned almost entirely from the country's burgeoning oil revenues. The streets are chockful of sleek, imported cars; the clothing stores look trendier than those in London; bankers and bureaucrats strut about with a new air of confidence.

The reason, as we know only too well, is Iran's ample reserves of oil which contributed an incredible $ 3,000 million to the country's revenues last year, paying for nearly 80 per cent of its development projects. Now, with the free auction of some of its oil at $ 17 a barrel and the raising of posted prices to around $ 11 a barrel, its earnings threaten to exceed all expectations.

This triumphant phase in the Shah's chequered career is an appropriate time to consider Iran's pattern of development as a 'model' for other third world countries. PR men in the West and in India have spared no attempt to paint Iran as a glowing example of rapid, efficient modernisation, accompanied by social progress. There are those in India who look on Iran's progress with envy, believing that it has achieved all that we have only dreamed about.

But examine the reality. If you leave out the oil industry, the state of the economy is by no means very impressive. There is the Aryamehr steel complex, built with Soviet capital, equipment and knowhow in exchange for Iranian gas. A few ore mines have been opened; ports like Bandar Abbas have been modernised and roads built; TV — universally used as a dubious yardstick of progress — is soon expected to cover two-thirds of the country. Yet there is no sign of Iran developing a solid industrial infrastructure of the kind India has been working towards, however sluggishly.

The potential, of course, is very great since Iran is reaping surpluses which any country would be envious of. But instead of using these vast sums for nation-building projects, the Shah is embarking on a reckless arms-buying spree. According to recent figures published by the International Institute for Strategic Studies, the Shah spent around £ 800 million on defence last year — more than twice as much as the previous year — and these are now judged conservative estimates.

From the US alone, Iran expects to buy around $ 2,500 million of arms within the next five years. Among these purchases are aircraft which are not even used in the US, as also laser guided bombs. Its fleet of hovercraft, purchased from an ever-grateful Britain, is the world's largest.

Arms against Whom?

Arms against whom? The Shah claims that it is for his country's security against its neighbours. This is hardly convincing: even in terms of manpower, Iran's army of 200,000 is twice that of its enemy number one, Iraq. According to Iranian spokesmen, the Pakistani defeats of 1965 and 1971 have also prompted the massive armament. Prime Minister Hoveida is reported as saying: "We are absorbing the lessons of history. Pakistan lost two wars and half its territory despite belonging to two regional pacts — CENTO and SEATO. We have decided to take an all-risks insurance policy: to depend exclusively on our own forces." The Shah is apparently perturbed by India's treaty with the Soviet Union, and more recently, by the establishment of a pro-Soviet regime in Afghanistan. And with the British pull-out from the Persian Gulf, the Shah also has visions of Iran policing the entire area which, after all, contains 60 per cent of the world's proven oil reserves. Not surprisingly, the US and Britain are most enthusiastic in their support for the Shah.

The picture that emerges, then, is that of a one-product economy which, instead of reducing its dependence on foreign investment, is in fact becoming increasingly indebted to it. A mere glance at Teheran's shop windows indicates that there are few consumer goods that are either not imported or made in collaboration with foreign firms.

Thanks to over-generous incentives, foreign capital, particularly American, has come to stay. Iran's foreign debt is put at nearly $ 3,000 million in 1973 — exactly equivalent to its oil revenues. If there is any model that Iran presents to other underdeveloped countries — and one ought to remember that its per capita income is only $ 513 — it is of a country which mortgages its entire interests to foreign monopoly capital, aided and abetted by a super power, the US.

All this cannot happen without the most serious internal repercussions. The Shah rules despotically and is in constant fear of assassination — nowadays, even on short trips he apparently travels by helicopter. The security precautions for him and his family have to be experienced to be believed.

The Shah, for all the facade of supreme power and the extravagant displays of pomp, exists precariously. After all, he himself came to the throne by default when his father, Reza Shah (a cavalry officer who was catapulted to power in 1921), abdicated in 1941 in the wake of the Allied invasion of Iran. Now he has a monster of his own making — an over-privileged military elite. As an Iranian social scientist has put it: "The Shah's concern for the officer corps has not been purely budgetary. He has continued to take a keen interest in their training, salaries, fringe benefits, travels abroad, promotions and decorations — some of them have been given so many medals that they resemble over-decorated Christmas trees". The same commentator points out that at the incredibly lavish (cost: $ 17 million) 2,500th anniversary celebrations of Cyrus the Great, what was actually on parade was not Iranian culture but the Iranian armed forces. Given a pampered military elite with some of the most sophisticated weapons in the world and no prospect of any actual engagement with other countries, it is conceivable that the Shah may be ousted in a miliatry coup if the generals or some colonels decide to taste real power.

The social imbalances in Iranian society have grown painfully obvious. If we leave out the oil industry, two-thirds of the goods and services in the country are produced and consumed in Teheran alone, which comprises only three million out of the total population of 30 million. Once you leave the elegant confines of the capital, the the stark backwardness of the countryside is appalling. Even in Teheran itself, as stated earlier, the disparities are enormous: one out of every four dwellers has neither running water nor electricity and 70 per cent of the buildings could be classed as slums. Familiar indices of underdevelopment — like a three per cent annual population growth and an exodus to the cities — make a mockery of the 'progress' that Iran claims it has achieved. Even in organised industry, wage rates are by no means high because of the huge reserves of unemployed labour. Strikes are very rare: one Iranian told me, quite disingenuously, that they weren't necessary in his country! Trade unions, needless to say, don't exist. There has at the same time been a remarkable increase in the ranks of the middle class — small entrepreneurs, traders and others — because of whom land speculators in Teheran have been thriving.

"The much vaunted reforms for which the Shah has been praised all over the world are hardly commendable. Under his "White Revolution", agrarian reforms were carried out and big landowners eliminated, but the new owners were not given sufficient finance or other facilities to enable them to run their holdings efficiently. (The previous owners were compensated with cash and government bonds which they were encouraged to invest in industry and trade.) More often than not, therefore, small owners have been bought out by bigger ones.

To bolster any regime of this insidious nature, political repression at home is inevitable. Any attempt at building up an opposition is ruthlessly crushed. Political parties are a sham: Tudeh, the official communist party, has been outlawed. The press is entirely subservient, and all newspapers serve as couriers of court news, generously illustrated. While I was in Teheran, *Kayhan International*, one of the city's two English language dailies, published the double-column headline: "Queen Braves Rough Weather to Visit Hospital".

The repressive machinery is master-minded by Savak, the Shah's dreaded security organisation. The very name causes consternation in any discussion on Iranian domestic politics; few people venture to talk about its activities. Strike up a casual conversation with someone in a Teheran street and you are told: "Please don't discuss this — we don't even talk about these things at home, because our fathers may be Savak informers." The organisation keeps a watchful eye on any possible subversive activity and is known to have interrogated, tortured and killed hundreds of people.

Security Police Development

According to Amnesty International, the London-based organisation which champions the cause of political prisoners all over the world and has been taking an active interest in Iranian trials Savak's development plans for 1968-72 included the spending of $ 6.7 billion on 84 new buildings for the organisation and a detention centre for political prisoners. Unofficial estimates put the number of political prisoners at anything between 2,000 to 20,000. Savak is known to work in close co-operation with the CIA (which in the early 1950s spearheaded the move to oust Mossadeq, the nationalist premier who had become a threat to the Shah) and more recently, with Israeli intelligence services. Israel, in fact, has also armed the Iranian police force with Uzi sub-machineguns and trained some crack military units including the Shah's personal bodyguard.

Under such circumstances, it is hardly surprising that opposition movements have gone completely underground. Within the last two years, at least 200 people, usually described as "Marxists", have been executed, while hundreds have been given long prison sentences and their families intimidated. Apart from Tudeh, there is also a Maoist movement called Saka. All such organisations, however, are under constant surveillance and Savak inevitably infiltrates them. One of the biggest sources of embarrassment to the Shah, consequently, is the Confederation of Iranian Students, which has bases in West Germany and the US. The savage repression has its impact: there are virtually no strikes or peasant revolts and the underground movements, led by intellectuals and students, have splintered, making it impossible to forge any common front.

The picture that Iran presents to third world countries, then, is indeed bleak. Given the present direction in which the country is heading, the economy will continue to depend heavily on oil revenues and foreign investment, and the benefits will accrue only to a privileged class, including the military elite.

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The Appointment of the Chief Justice, the Government and the Supreme Court by S P Mitra, published by S P Mitra, New Delhi; pp 34; Rs 1.50.
Crisis in Indian Judiciary by K S Hegde; Sindhu Publications; pp 93; Rs 18.

NORMALLY, the appointment of a Judge, even of the Chief Justice, is a tame affair, and one finds only a small report in the newspapers about it. The appointment of the fourteenth Chief Justice, however, became a matter of controversy. Instead of appointing, as was the practice, the seniormost Judge as Chief Justice of India, Justice A N Ray was appointed Chief Justice over the heads of three other senior Justices, Shelat, Hegde and Grover. The appointment took place just a day after the Supreme Court, by a majority of seven judges out of thirteen, had pronounced judgment in the famous Fundamental Rights case, declaring Parliament's right to constitutional amendment to be subject to limitations. The three superseded Judges had been parties to the majority decision, whereas Justice Ray had been among those who had voted for the unlimited power of Parliament to amend the Constitution. The timing of the supersession, therefore, was bound to create the impression that the superseded Judges had been thus punished.

The four books under review will help the reader to gain insights into both sides of the controversy. The two sides are not equally matched in this selection, however, as three of the four books support the government's action.

The Law Commission, in its fourteenth report (1958), deplored this practice. According to the Commission, the qualifications required for a Chief Justice were different from those for a Judge. In spite of this recommendation, the practice was continued. But there is evidence that neither the makers of the Constitution nor those who were at the helm of affairs in the initial years had contemplated that the Chief Justiceship should go by seniority alone.

In his book, Antulay underscores that, when Articles 124 and 126 are read together, it is quite clear that even for making a temporary appointment the Constitution gives power to the President to appoint any one of the Judges of the Court as Acting Chief Justice. Setalvad and Chagla were offered the post of Chief Justice; the former did not accept it and the latter was not finally appointed because the other Judges of the Supreme Court threatened to resign. Neither Setalvad nor Chagla was a member of the Court, so the fact that they were nevertheless considered for the post shows that the Chief Justiceship was never intended to go only according to seniority. The author also argues that no convention regarding seniority had been established; he maintains that "for a convention to be established its life cannot be as short as say twenty-three years" (p 15). In his book, Kumaramangalam similarly argues that "a convention that stood for a decade and was considered at that time erroneous and wrong by the Law Commission does not become any more the right because it was observed for another decade" (p 14).

Hegde, on the other hand, thinks that "though the seniority rule is not the best method for appointing the Chief Justice, it is undoubtedly a safe one. It excludes political considerations, personal likes and dislikes and other collateral considerations in appointing the Chief Justice" (p 42). Hegde's argument has been countered by both Kumaramangalam and Antulay. They point out that the elevation of Judges from the High Courts to the Supreme Court has never been on the basis of seniority. Even the three superseded Judges had been brought up to the Supreme Court in preference to other senior Judges. If this did not undermine the independence of the judiciary, there is no reason why disregarding of the seniority rule in the appointment of the Chief Justice should be seen as undermining that independence. Besides, the Supreme Court is a national tribunal; and care is therefore taken to represent on it the various regions. The present Bench has Judges belonging to the High Courts of Allahabad, Andhra Pradesh, Assam, Bombay, Calcutta, Gujarat, Kerala, Madhya Pradesh, Madras and Punjab. Important minorities have also been given representation on the Bench. There has always been one Muslim Judge on the Bench; and the present Bench also has one Christian Judge. Political considerations have in this way determined the appointments to the Supreme Court, and rigid adherence to the seniority rule is out of question.

Neither Antulay nor Kumaramangalam, however, have suggested alternative criteria for selecting the Chief Justice. Antulay points out that the Chief Jusice is only one of the judges so far as the judicial function is concerned: he cannot influence the other judges in any way; the decisions of the Court are by a majority; the Chief Justice can neither favour a Judge nor discriminate against him. Yet, if one looks at the statistics of decided cases, one might find that there have been a greater number of unanimous and majority judgments from the Chief Justice than from any other Judge. It would be interesting to find out to what extent a Chief Justice actually influences the Court. He may not bring pressure on individual Judges; yet he may influence the Court as an institution. If he does influence the Court as an institution, then longer tenures of younger Chief Justices may well make for greater continuity and consistency of judicial policy. The Chief Justice is, moreover, consulted on the appointment of Judges to the Supreme Court. Since the Government has neither the time nor the first-hand knowledge of the eligible persons (except as in the present Government, the Law Minister of which was formerly a Judge), such appointments might depend entirely on the Chief Justice's advice. Longer tenure for a Chief Justice could thus also assure continuity in recruitment policy.

But, even here, evidence is not conclusive. We have no idea as to how far former Chief Justices took into account the prospective Judges' views on social and economic matters in recommending them for appointment. Seven Judges came to the Supreme Court during the tenure of Chief Justice Sikri (January 1971 to April 1973). With the exception of Justice Alagiriswami, the six others sat on the Bench of the Court to hear the Fundamental Rights case. Out of the six, four — Justices Mathew, Beg, Palekar and Chandrachud — voted against Sikri, and only two — Khanna and Mukherjea — voted with him. Yet, Chief Justice Sikri had known that a major showdown was coming on the question of amendability of Fundamental Rights. Either he did not want to pack the

court with men of his viewpoint or the Government did not go by his advice.

Kumaramangalam is forthright in saying that "the relationship between the Court on the on the one hand and Parliament on the other has been none too happy these last six years" (p 15). He thinks that "it is vital that this relationship should be a stable and friendly relationship" *(ibid)*. But how can this relationship develop when Court and Parliament are wedded to entirely different sets of values? During the past 23 years, the Court has laid greater emphasis on the right to property; Parliament has amended the Constitution to overcome the judicial objections; but in the Golaknath case the Supreme Court held that Parliament could not amend the Constitution so as to take away or abridge the Fundamental Rights — thus foreclosing the only way that was open to Parliament.

To this, Hegde may say that "the decision of the Supreme Court, right or wrong, is final and binding", and that "only if the executive and the legislature accept the finality and the binding character of the decision rendered by the Supreme Court can there be stable relationship between the judiciary, the executive, and the legislature" (p 43). But it is difficult to accept this unless one accepts the infallibility of the Court. It may be noted that twice the Supreme Court had held that Parliament had the power to amend the Constitution. Yet, this view was overruled in the Golaknath case by a narrow majority of six against five. In the Fundamental Rights case, 10 out of 13 Judges (including Justice Hegde) observed that the Golaknath decision was wrong. What is the remedy against wrong decisions? According to Hegde, the community should wait until the Court itself corrects the error — which means we will have to wait till the Judges change, and further, that to ensure such a change the Court would have to be packed. Hegde should thus be able to see that the supersession he complains about is the logical outcome of the very position which he, along with his other colleagues, had taken in recent cases. His stand would also imply that, whereas two-thirds of the members of Parliament cannot decide what the Constitution should be, 7 out of 13 Judges can.

Hegde claims that "if sovereignty resides in the Parliament, the Constitution becomes a scrap of paper" (p 46). However, all written Constitutions do contain provisions for their amendment, and they require a larger majority to carry the amendment precisely as a safeguard against hasty and intemperate amendment. Hegde, going further, claims that this Parliament is not representative of the people because, although the Congress party secured two-thirds of the seats in the Lok Sabha, the total votes secured by it were less than 50 per cent (p 92). As if in reply, Kumaramangalam says, "Justice Hegde in making his analysis challenges the very basis of our electoral system" (p 65). Judicial review has to be exercised with caution; in examining the validity of legislation, the Judges ought not to act "in a crusader's spirit to tilt at legislative authority". A Court must accept that other organs of government are as much parts of the democratic process as the Court. It should not start on the presumption that the Legislature is bound to act tyrannically and that the Court is sitting to prevent it from encroaching upon the freedom of the individual.

Kumaramangalam's main argument is that "in choosing persons who are fit and suitable for appointment to the Court, it is important to assess their outlook on broad matters of State, on the crucial socio-economic matters that face us in India today" (p 36). He says that, "to look upon a Judge as guided only by the pure light of reason, having no views of his own, most of all on matters of economic policy, is to ignore the realities of life" (p 36). He examines the views of Justices Hegde and Ray on certain fundamental questions, "as expressed in their recent judgments". The essential difference between the majority Justices in the Fundamental Rights case (though Kumaramangalam names only Justice Hegde) and Justice Ray, lay in how they looked at the Court-Parliament relationship. Justice Ray advocated judicial restraint. He admitted that the last word on the Constitution must rest with Parliament, not with the Court. The seven Judges of the Sikri group were not prepared to leave the final word regarding the Constitution to Parliament. They felt that, if Parliament had unlimited power of constitutional amendment, it might use that power to change the Constitution beyond recognition. It was probably this stand on judicial restraint that earned Justice Ray the Chief Justiceship.

Antulay seems too preoccupied with the thought of replying to Palkhivala and others, which is why his book takes the form of a wordy duel between him and the Palkhivala group. Hegde, on the other hand, appears too subjective in his treatment, and this mars the quality of his book. In particular, his reference to Justice Krishna Iyer's appointment to the Supreme Court is in bad taste. He points out that Chief Justice Sikri had objected to Justice Iyer's appointment. According to Hegde, Justice Iyer's sin consists in his past association with the Communist Party. But if the Communist parties are recognised parties under the Indian Constitution, why should there be a special disqualification attached to past association with these parties? Hegde forgets that Justice Iyer was a Judge of the Kerala High Court and later a member of the Law Commission, before coming to the Supreme Court.

Mitra in his book, gives us a good background of the constitutional developments in the last 23 years. He observes that "A Chief Justice does not lose his independence *vis-a-vis* the Government, just because his broad views on this question happen to be more or less the same as theirs" (p 27). He points out that there was identity of views on fundamental policy between the Court and Parliament upto 1966. Mitra thinks that "the only power the people have over the Supreme Court ... is through their elected representatives in Government and Parliament — that of appointment of the Chief Justice and the Judges, through the power vested in the President acting on the advice of the Union Council of Ministers" (p 31). By his view, ultimately, even the Supreme Court must be subject to control of Parliament.

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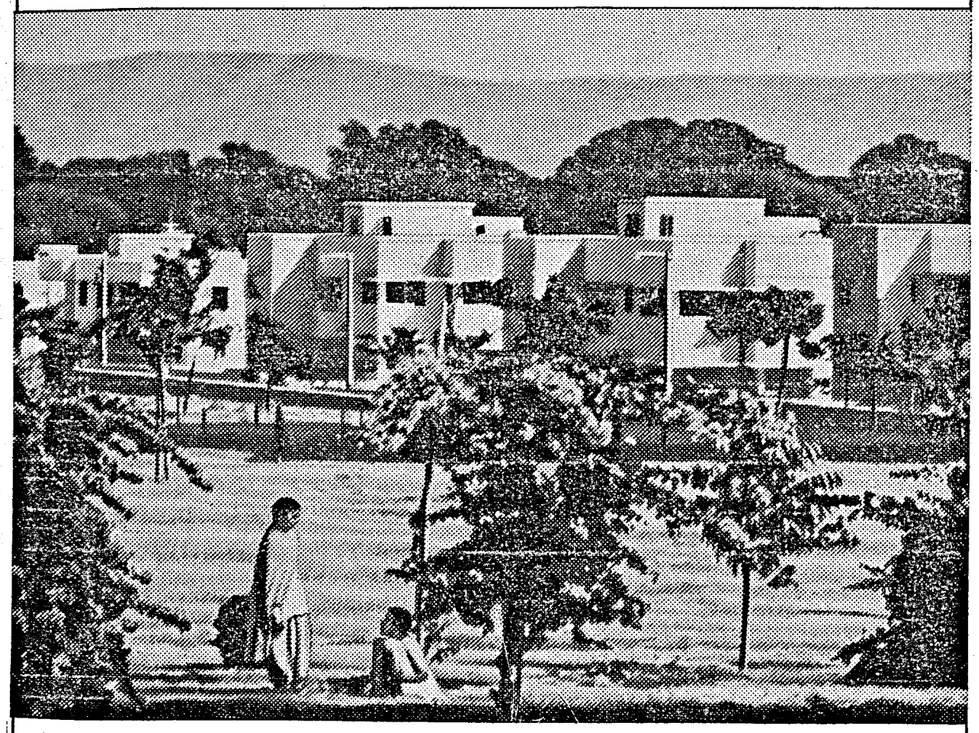
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Planning for Growth, Redistribution and Self-Reliance in the Fifth Five-Year Plan — I

Suresh D Tendulkar

An average annual growth rate of gross domestic product of 5.5 per cent, self-reliance and redistribution of consumption for the removal of poverty over the Plan period were the three accepted objectives of the Fifth Five-Year Plan as enunciated in the Approach to the Plan. The details of the planning model underlying the Approach document were supplied in a Technical Note that was circulated to the panel of economists in April 1973. The same planning model (with a change in the price base from 1971-72 to 1972-73) is said to form the basis of the Draft Fifth Five-Year Plan released recently. The objective of this paper, published in two parts, is to evaluate the planning model underlying the Approach document.

The model is found to be inadequate in its institutional specification and operationally unsatisfactory. The empirical basis for the three major policy-oriented conclusions emerging from it is found to be a poor approximation to the realised experience in the recent past, thereby making suspect their economic feasibility in practice. Because of the inadequate institutional specification of the model and the absence of a simultaneously worked-out policy-frame, the problems of evolving policy measures ex post *are shown to be intractable.*

It is not at all surprising, therefore, that the commitments on self-reliance and removal of poverty have been considerably diluted in the Draft Plan—although certain exogenous factors have been held responsible for this, especially for throwing overboard the objective of self-reliance. Even in the absence of these exogenous factors, the pronounced biases in the numerical parametric specification of the model, the inappropriate institutional specification and the socio-political infeasibilities involved in working out the policy-frame ex post facto *for the redistributive objective would have led to the same result.*

I

Introduction

AN average annual growth rate of 5.5 per cent of gross domestic product, self-reliance and redistribution for the removal of poverty over the plan period were the three accepted social objectives of the Fifth Five-Year Plan as enunciated in the Approach to the Fifth Plan[1] (hereinafter referred to as the Approach document). The details of the planning model underlying the Approach document were supplied in a Technical Note[2] that was circulated to the panel of economists in April 1973. The same planning model (with a change in the price base from 1971-72 to 1972-73) is said to have formed the basis of the Draft Fifth Five-Year Plan released recently. The Draft Plan has made the commitments on self-reliance and removal of poverty much less categorical than it was in the Approach document. This can be traced to certain basic inadequacies in the institutional specification of the model as well as certain inherent rigidities in it, certain pronounced biases in the parametric specification and the absence of a policy frame to back up the quantification of social objectives in the Approach document. The objective of this paper is to focus attention on these problems and to evaluate the planning model underlying the Approach document.

II

The Model

The basic multi-sectoral model employed by the Planning Commission belongs to the modified open-ended static Input-Output variety. Given (a) a set of input-output co-efficients and (b) sectoral levels of final demand (consisting of private and public consumption expenditure, gross fixed investment, exports, competing imports and changes in stocks) for the target year, this type of model provides a consistent set of sectoral targets of gross output. The pattern of utilisation of total supplies from domestic production and imports for the i th sector may be written as:

$$X_i^t + M_i^t = \sum_{j=1}^{n} a_{ij}^t X_j^t + C^t + \bar{G}_i^t + \bar{E}_i^t + \bar{I}_i^t + ST_i \qquad (1)$$

where $X_i^t =$ level of gross output of the i th sector measured at factor cost;

$M_i^t =$ level of competing imports of the i th sector type (in commodity classification) measured at c i f inclusive price;

C_i^t and $\bar{G}_i^t =$ levels of private and public consumption expenditure on the commodities produced by the i th sector (measured at producers' prices);

$\bar{E}_i^t =$ level of exports of the i th sectors' products measured at f o b prices;

$\bar{I}_i^t =$ gross fixed investment by the i th sector of origin measured at producers' prices;

$ST_i =$ additions to stocks of commodities produced by the i th sector measured at producers' prices;

$a_{ij}^t =$ input-output co-efficient at producers' prices incorporating the demand for the i th sectors' product as intermediate input into the unit level of production in the j th sector.

All imports are treated as competing with the sector's output and are esti-

mated partially endogenously by making the following specification:

$$M_i^t = \sum_{j=1}^{n} m_{ij}^t X_j^t + c_i C_i^t + g_i^t \bar{G}_i^t + f_i^t \bar{I}_i^t \qquad (2)$$

where m_{ij} = imported intermediate input co-efficients incorporating the demand for the competing imports of the i th sector type as intermediate input into the unit level of output at factor cost in the j th sector.

c_i^t, g_i^t and f_i^t = co-efficients indicating the requirements of the competing imports of the i th sector type per unit level of private consumption, public consumption and gross fixed investment respectively.

Substituting (2) into (1), we get

$$X_i^t = \sum_{j=} (a_{ij}^t - m_{ij}^t) X_j^t + (1-c_i^t) C_i^t + (1-g_i^t) \bar{G}_i^t + (1-f_i^t) \bar{I}_i^t + \bar{E}_i^t + S_i (X_i^t - X_i^o) \qquad (3)$$

where changes in stocks are assumed to be proportional to the incremental gross output of the sector between the target and the base year. It is clear that provided $(a_{ij}^t - m_{ij}^t)$ satisfy viability conditions, this is a system of n equation in equal number of unknowns given C_i^t, $\bar{G}_i^t$, $\bar{I}_i^t$ and $\bar{E}_i^t$ which can be solved to get

$$X_i^t = \sum_{j=1}^{n} A_{ij} \left[(1-c_i^t) C_i^t + (1-g_i^t) \left\{ \bar{G}_i^t + (1-f_i^t) \bar{I}_i^t \right\} + \bar{E}_i^t - S_i X_i^o \right] \qquad (4)$$

where A_{ij} denote the elements of the inverse of the matrix

$(I - a^t + m^t - \hat{S})$ with

$a^t = \left\{ a_{ij}^t \right\}$, $m^t = \left\{ m_{ij}^t \right\}$ and $\hat{S}$

is a diagonal matrix formed from the column vector of incremental stock co-efficients appearing in (3).

The Planning Commission provides two sets of levels of sectoral gross outputs: one for the base year 1973-74 which is the final year of the Fourth Plan and another for 1978-79 which is the final year of the Fifth Plan. The *only* link between the two for consistency purposes is the exogenously stipulated target growth rate of aggregate GDP at factor cost. The base year levels are the anticipated estimates for the final year of the Fourth Plan. For deriving the levels of gross outputs for 1978-79, the sectoral composition of the final demand in 1978-79 needs to be specified. This is done as follows.

Exports and public consumption expenditure are assumed to grow exogenously each at some prespecified rates. The sectoral composition of both these variables is also specified in an exogenous fashion. The macro-model is then used to get the remaining two variables, *viz*, gross fixed investment and the aggregate private consumption expenditure, the procedure being as follows. Assuming a constant aggregate incremental capital output ratio and given the exogenously stipulated target growth rate of the aggregate GDP at factor cost, the gross investment over the five-year period is estimated. Dividing this into fixed and inventory components and using some linear annual phasing assumption (the details of both being unspecified) one gets a figure for gross fixed investment in 1978-79 whose composition by sector of origin is exogenously specified. Foreign assistance [derived as a difference between aggregate imports as estimated from (2) and exogenously specified exports] is then subtracted from the gross fixed investment at market prices[3] to get the estimate of gross domestic savings (S_t). The aggregate private consumption at market prices is then derived after subtracting from the aggregate GDP at market prices, the aggregate gross domestic savings and aggregate public consumption expenditure at market prices. This is then substituted into the consumption model to get the sectoral distribution of private consumption expenditure. The consumption model consists of the following components.

(a) A proportionately fixed basket of consumer expenditure for various sectoral outputs is specified for the 27 subgroups of the population classified according to the level of per capita monthly total consumption expenditure. This is available for the rural and the urban subgroups separately. This has been derived after converting the quick tabulation data for the 23rd round of the NSS (July 1968 to June 1969) to factor cost and to 1971-72 prices, the details of both being left unspecified.

(b) The rural-urban distribution of the population and the rural-urban differential in expenditure per capita are exogenously specified for 1973-74 and 1978-79.

(c) The size distribution of the aggregate private consumption expenditure among the population is assumed to be two-parameter lognormal that can be specified by the mean level of total consumption expenditure per capita and the variance parameter. This is done separately for the rural and the urban population.

(d) Given (i) the aggregate private consumption expenditure at market prices from the macro-model; (ii) the indirect taxes on consumption; (iii) the rural-urban distribution of the population; and (iv) the rural-urban differential in total expenditure per capita, it is possible to find per capita monthly total expenditure for the rural and the urban population separately. (See Appendix 2 for details.)

(e) Given (i) the per capita monthly total expenditure derived in (d); (ii) the variance parameter of the lognormal distribution; and (iii) the upper limits of the per capita expenditure classes [for which the proportionately fixed consumption basket is specified in (a)], it is possible to derive the percentage distribution of the population as well as the aggregate private consumption expenditure among different per capita expenditure classes under the lognormal assumptions. From this, we can deduce the per capita monthly total expenditure for each of the 27 per capita expenditure classes. This is done for the rural and the urban populations separately.

(f) Using the proportionately fixed basket [explained in (a) above] along with the per capita total expenditure [derived in (e)] for each sub-group of the population classified according to the level of per capita total monthly expenditure it is possible to get the per capita monthly expenditure on each sector's output for each sub-group of the rural and urban population separately. Converting these into annual totals for each sector's output (by multiplying by 12 times the population in each sub-group) and aggregating across sub-groups in the rural as well as the urban population, the sectoral composition of aggregate private consumption expenditure is determined.

The sectoral levels of private consumer expenditure along with other elements of final demand can then be substituted into (4) to obtain consistent level of sectoral gross outputs.

Since competing intermediate imports as well as competing imports directly for private consumption along with the indirect taxes on private consumption and intermediate inputs are determined in an endogenous fashion, presumably an iterative solution to the system in (4) along with certain elements of the macro-model may have to be obtained or else the system appears to be indeterminate. The Technical Note is completely silent in this connection.

The Technical Note presents the alternative exercises by varying the following assumptions:

(i) the average annual target growth rate of GDP at factor cost over the five year period, the alternative values being 5.0 per cent, 5.5 per cent and 6.0 per cent;

(ii) the average annual growth rate of total commodity exports over the five year period, the alternative values being 6.5 per cent, 7.0 per cent, 7.5 per cent and 8.0 per cent;

(iii) the specification of inequality in the size distribution of private consumer expenditure; the alternatives being with and without postulated reduction in inequality in bringing the bottom 30 per cent of the population to the desired minimum level;

(iv) the specification of the import-substitution the alternatives being the import co-efficients m_{ij}^t, c_i^t, g_i^t, f_i^t [defined in (2)] remaining the same as in the base year or getting reduced in specified manner; denoted as without and with import substitution variants respectively.

In all 24 variants have been worked out by combining these assumptions in alternative ways. No discussion appears regarding the rationale or the results in the Technical Note. The Approach document, however, mentions (Ch IV, para 3, p 16) that on the basis of these exercises, "the balance of payments consideration does not justify lowering the rate of growth to 5 per cent". The objective appears to be mainly to work out the balance of payments implications of alternative growth rates of GDP and exports. Although the alternatives have been worked out with and without redistribution as well as with and without import-substitution, the discussion of the balance of payments appears to take for granted both import-substitution and redistribution. Out of the 24 variants, the best or the preferred variant in the judgment of the Planning Commission consists of the combination of the following assumptions: 5.5 per cent growth rate of GDP at factor cost, 7.0 per cent growth rate commodity exports, with import-substitution as well as with a postulated reduction in inequality in consumer expenditure. We will have occasion later to comment on each of these assumptions.

As regards the rationale behind the adoption of the particular analytical framework outlined above, it is stated that it was "basically determined by three factors: (a) the nature of the objectives to be realised; (b) the type and coverage of data currently available and (c) the nature of computing facility that could be utilised by the Commission. Among these factors (b) often proved to be decisive in ruling out conceptually more ambitious schemes whose information requirements were far too large judged by the level of disaggregation and consistency that was considered to be essential for drawing up a coherent plan. "(Technical Note, Introduction, para 2), We are indeed assured that considerable work is under way in terms of extending and deepening the data base." (Technical Note, same para as in the previous quotation). It is, however, not clear what role the new data base is going to play in view of a very unequivocal statement in the Approach document: "It is, however, *unlikely* that the conclusion regarding the rate and pattern of growth and the related policies outlined above will change in *any significant way as and when more data become available.* (Approach, Ch VI, para 27, p 22)

We may note before we end this section that the macro-model adopted by the Planning Commission is a variation of the well known Harrod-Domar model and the input-output model is a variation of the static-open-Leontief model. As we will see later the consumption model is identical in assumptions to the one adopted by Manne and Rudra (1964) and by Srinivasan, Saluja and Sabherwal (1965). Methodologically, therefore, the model does not contain any novel feature that has not been used before in other similar planning models.

III

Institutional Specification of the Model

Methodologically, a typical planning problem involves the following elements with a view to achieving given social objectives and subject to certain prespecified constraints:

(i) the determination of the feasible quantum of investment and its distribution by sector of origin;

(ii) the appropriate sectoral allocation of investment by sector of destination;

(iii) the pattern of financing investment from the internal and external resources;

(iv) the policy frame spelling out concrete ways of mobilising the required quantum of resources, their channelling into appropriate sectors and their transformation into desired composition of productive investment[4] which in turn is expected to bring about the desired composition of economic activity in conformity with the planned objectives;

(v) if redistribution is an explicit social objective of planning, the policy frame has to specify in addition to (iii) above, the concrete mechanism of bringing about the socially desired income (or expenditure) transfers.

Ideally, all the elements require to be simultaneously determined as there exists obvious interdependence among them. In actual practice, however, this has never been possible in one grand analytical framework.

Confining ourselves to a single period framework[5] adopted by the Planning Commission, most of the presently available models address themselves to at most the first three elements. The last two elements which are most important from the point of view of implementation are usually either neglected or are worked out outside the framework of the model. They acquire added and crucial significance in view of the constraints imposed by the socio-political environment of a federal, constitutional democracy and the institutional framework of a mixed economy.

The modified open-ended static input-output model adopted by the Planning Commission contains *only* the first element. The aggregate quantum of investment is determined from the aggregative Harrod-Domar framework by postulating a constant incremental capital-output ratio and a target growth rate of GDP. Its distribution by sector of origin is specified exogenously and given this along with the other elements of final demand (the details of which have been discussed in the last section), the targets of sectoral levels of gross output have been worked out through the static input-output model *without* explicitly considering the second problem of sectoral allocation of investment. The third element of financing investment is covered *exogenously* in an independent resource exercise (Ch VII of the Approach) bringing out at the aggregate level the con-



sistency between gross investment and its financing through the various sources, *viz*, the public and the private sectors and the external assistance. The policy-frame covering the fourth and the fifth element does not appear in the Approach document. There is, however, an assurance that "It is proposed to devote concentrated attention during the next few months towards working out a consistent policy-frame encompassing agricultural policy, industrial policy, price-wage-incomes policy, policy for resource mobilisation, policy for regional balance in development, and management policies" (Approach, Ch XII, para 2, p 59). To recapitulate, the formal model presented in the Technical Note which forms the basis of the Approach document, addresses itself to only the first element of a typical planning problem in a purely static input-output framework. The second and the third elements are worked out exogenously outside the formal framework of the model whereas the fourth and the fifth elements do not appear in the Approach document except in a very cursory fashion.

Conceptually, even within the static framework adopted by the Planning Commission, it is possible to introduce in a limited manner the financing of investment on the lines of Rudra (1967) which would have been more meaningful than treating the financing aspect in a purely exogenous fashion. Moreover, the single-period models of the Manne-Rudra (1965) variety solve the first two aspect of a typical planning problem in a mutually consistent and semi-endogenous manner given the incremental capital co-efficient matrix (by sector of destination) and certain assumptions connected with the stock-flow co-efficient parameters. The Approach document gives (Ch VIII, p 48) the "implied" incremental capital output ratios for 10 broad sectors. It is not clear how they have been derived. However, given these along with appropriately adjusted incremental capital co-efficient matrix available in Manne and Rudra (1965) it is possible to check the consistency between the implied allocation of investment by sector of destination (as given on p 48 of the Approach) and the exogenous specification of distribution of gross investment by sector of origin as also the sectoral levels of gross output derived from the static input-output framework.

Both the static input-output model and a single period consistency model of the Manne-Rudra variety belong to what may be termed as open-loop models. They address themselves to the problem of consistency in *physical* terms between a prespecified vector of final demands and the required levels of sectoral gross output to sustain it. The underlying policy premise implicit in these models is that the government (and hence the planning authority) has a fairly complete and sufficiently effective fiscal, monetary as well as direct control over the economy so that the mobilisation (as well as canalisation) of the required quantum of domestic savings (for an exogenously given level of foreign assistance) can *always* be undertaken in real terms so as to finance the given quantum of investment.[6] This approach is valid as long as any conflict that appears between the time preferences of individual economic agents and the social time preference of the planning authority can be resolved with the help of whatever policy instruments and measures are at the disposal of the planning agency. This premise is certainly justified in a completely centrally planned economy with public ownership of the means of production. However, the constraints imposed by the federal democratic socio-political environment and the institutional framework of a mixed economy do not justify the uncritical acceptance of this premise especially in the early stages of development in view of the remote and inadequate control of the planning authority over a very large part of private sector economic activity. The difficulties may arise from the political, sociological, behavioural and institutional considerations imposing a definite upper limit on the feasible rate of savings in the underdeveloped countries. [See Sen (1961), United Nations (1967).] More specifically in the Indian context where the government has so far contributed less than 30 per cent of the domestic savings, where under the most optimistic assumptions the government owns no more than 25 to 30 per cent of the reproducible tangible capital stock [see Reserve Bank of India (1972)], where 50 per cent of household savings take place directly in terms of physical assets (out of nearly 65 to 70 per cent contributed by them) over which the government has no control and where the market forces governed by the existing distribution of income and privately owned wealth and means of production predominate, the policy premise underlying the open-loop model does not appear to be justified on empirical grounds as well. In other words, the ensuring of consistency in physical terms is not sufficient in this type of institutional framework to guarantee the realisation in real terms of the planned quantum of investment. This may be prevented by the infeasibilities involved in raising the domestic resources that may fall short because of the government's inability to check private consumption and mobilise private savings. In these circumstances, the present author has elsewhere (1971) suggested what may be termed a "closed-loop model" to deal with this type of a situation. The closed-loop model attempts, in a single-period optimising framework, to ensure mutual consistency between the investment plan and its sectoral allocation on the one hand and its internal and external resource requirements on the other. This, in turn, is achieved by establishing mutual consistency between the process of production, the resulting generation of incomes and its uses among the principal components of final demand.[7] The information requirements of this model are only slightly more than those of the open-loop models of the Manne-Rudra variety. An important feature of the model is that it incorporates in a mutually consistent fashion the first three elements of a typical planning problem outlined at the beginning of this section and hence is more general than the static input-output model or the single period model of the Manne-Rudra type. Moreover, since it seeks to work out the pattern of financing investment from the internal and external resources through the specification of foreign assistance, public savings and private marginal savings propensities, the analytical framework takes into account endogenously the crucial feature of the institutional framework of a mixed economy and hence it is specially appropriate to that framework. By abstracting from this crucial feature of the institutional framework, open-loop models appear to be particularly inappropriate specifications of a typical planning problem in a mixed economy. In the present Indian context, the restrictive nature of the abstraction implicit in the static input-output framework used by the Planning Commission is all the more glaring for at least three reasons. First, unlike in the past, foreign assistance including food aid is no more a flexible and adjustable component to make up for the lack of controllability over the mobilisation and canalisation of domestic savings. In fact, this component has been reduced to a minimum level. Secondly, if self-reliance as a social objective is to be taken seriously, it requires stringent measures for the mobilisation of domestic resources and these efforts have to be on a much higher level (with all its socio-political

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consequences) than in the past in view of the drying up of foreign assistance. Thirdly, redistribution as an explicit social objective implies adverse effects on marginal savings propensities as also requires complete controllability over the composition of economic activity. These crucial features of the present Indian situation highlight the necessity and importance not only of incorporating the first three elements of the typical planning problem in an endogenous fashion but also of backing them up *simultaneously* with a co-ordinated and feasible policy-frame (containing the fourth and the fifth elements).

The present author has elsewhere (1971) examined the resource-allocational consequences of the open-loop and the closed-loop models on the basis of certain illustrative exercises for the Indian economy. The main conclusion that emerged is that the sectoral resource allocation (and the plan strategy based on it) suggested by the open-loop model is drastically different from that suggested by a closed-loop specification. In other words, if the closed-loop specification is institutionally more appropriate to a particular situation, but the open-loop specification is in fact used to determine the resource allocation (as well as the plan strategy), it would lead to gross misallocation of resources in the process of implementation with all its disastrous consequences. As we have seen, the formal static input-output model adopted by the Planning Commission abstracts from the crucial problem of working out the allocation of investment by sector of destination (which is possible in the open-loop models of the Manne-Rudra variety) let alone the problem of financing of investment. Any model involves by its very nature an abstraction of reality provided "the loss of details [through abstraction] is more than compensated by the greater clarity and a more effective tackling of the problem it permits". However, "there is a certain point in simplification beyond which a problem ceases altogether to be the same so that a course of action based on it will yield a result that is not merely less satisfactory but one that is altogether unsatisfactory" [Rudra (1962), p 193].

The static input-output model developed by the Planning Commission strictly belongs to a very restricted form of the open-loop variety where the problem of income-generation from the production process and its use-pattern is regarded as exogenous to the system. However, the Planning Commission goes one step beyond this framework and works out the sectoral average annual growth rates of value added along with those of the value of gross output (Approach, appendix to Ch VI, pp 23-24). As a purely arithmetical exercise, this is all right. But it is economically meaningful and valid only under a closed-loop framework. But no attempt appears to have been made to check the closed-loop consistency between the income-generation from the production process and its adequacy to sustain the exogenously specified vector of final demands which, in a static input-output framework, is used to derive the sectoral levels of gross output.

Neither the Technical Note nor the Approach document furnishes complete information for checking the closed-loop consistency. This may be done in an approximate manner by making certain plausible assumptions regarding the missing information.

Let us start with the definitions of consistency. A *static input-output consistency* (a special case of an open-loop consistency) pertains to that between the exogenously specified sectoral levels of final demand and the sectoral levels of gross outputs for a given numerical specification of technology as incorporated in an input-output co-efficient matrix. This definition applies to the formal model adopted by the Planning Commission. A more general *open-loop consistency* ensures, in addition to the static input-output consistency, a mutually consistent matching between the distribution of gross investment by sector of origin and its sectoral allocation by sector of destination. A *closed-loop consistency* requires, in addition to the open-loop consistency two more conditions: (a) for exogenously specified level of foreign assistance, the quantum of investment is of the size that can be financed from the internal savings generated in the process of production; and (b) the incomes originating in the various sectors of the production process equal incomes accruing to various factors of production (after allowing for transfers and other national accounting adjustments) and their disposal of these incomes on various goods and services as also contributions to domestic savings all of which have connections to the relevant components of final demand which are exogenously specified in an open-loop framework. It may be noted that the first condition of a closed-loop consistency relates to the feasibility of the underlying savings efforts whereas the second takes the feasibility of savings efforts for granted and examines the consistency at the aggregate level. It is important to emphasise that the second condition is not conceived in purely arithmetical terms but in terms of the observed past trends regarding the relationship between different elements of final demand.

As we have seen, the resource exercise (Approach, Ch VII) which is exogenous with reference to the formal model, indicates the pattern of financing gross investment from the internal and the external resources that is required for the condition (a) of the closed-loop consistency. To start with, we treat this as a given datum, assume its consistency with the formal model and then concentrate on the condition (b) which is required to check the closed-loop consistency between the sectoral levels of value added and those of gross-output.

Calculations detailed in the Appendix show that given the pattern of financing assumed in the resource exercise and a conservative depreciation estimate consistent with the past trend worked out from the official national income estimates, the GDP at factor cost required to sustain the prespecified levels of final demand for 1978-79 works out to at least 2.6 per cent higher than what is specified by the Planning Commission. In other words, income generated in the process of production in the target year 1978-79 is less than adequate to sustain the exogenously specified vector of final demands. As a result, the macro-model generating the levels of final demand and the static input-output model translating these final demands into sectoral levels of gross output are mutually inconsistent in a closed-loop framework and hence the rates of growth of value added and those of gross output given on p 23-24 of the Approach document are also mutually inconsistent. Actually, assuming the closed-loop consistency to hold in 1973-74, the growth rate of GDP required for sustaining the prespecified levels of final demand for 1978-79 turns out to be at least 6.0 per cent per annum and not 5.5 per cent as postulated in the Approach document.

As regards the rationale behind the particular choice of the growth rate the Approach document states: "After taking full cognisance of the current factors inhibiting growth, of the long-term needs of the economy, and of the possibilities inherent in the diversified agro-industrial base already created, a five and a half per cent growth rate has been postulated as the appropriate

punjab national bank

Provisional Results - 31st December 1973.

* A year celebrating the 1000th branch ** A year ushering in CHANGE *** A year of good results and profits

First branch opened at Anarkali, Lahore on April 12, 1895

PNB performed well in 1973 - aggregate deposits up 20%; credit up 30%; and profitability significantly improved - a no mean achievement in a year of rising costs.

NATIONALISATION : A momentous step in our history of banking, indeed our economy and society, gave Indian banks, known for soundness though less so for innovation, some new tasks :

— To develop "Priority Sectors", the backward and the neglected small industry, agriculture, self-employed. (PNB has just undertaken to help with 20,000 cycle rickshaw peddlars becoming owners under a Punjab Government scheme)

— To take banking facilities to the rural and mountain areas. (PNB is opening a branch at Kinnaur in the high Himalayas)

PNB has given a good account of itself in this regard, as figures below will show :

PNB since Nationalisation

		1969 June	1973 Dec.	1969 – 1973 Rise %
Aggregate Deposits	Rs. Crores	355	720	103
Total Credit	"	243	425	75
— Priority Sector	"	23	116	404
— As % of total credit		9	27	
Branches	Number	560	1020	82
— Rural	"	84	366	336

Among the interesting problems we face in PNB is 'ageing management' - their average being : Senior Managers 55 years, Managers 52, Junior Managers 47 and Special Assistants 48. In the past it has taken an average clerk ten to fifteen years to become an officer, and as long to become a manager; reaching an age when not everyone is bold or innovative.

We have now signed two agreements with the workmen and officers, that are a marked advance in throwing open a merit-based fast track to the young.

	Clerks to Officers		Officers to Managers	
	Old %	New %	Old %	New %
From outside	6	10	—	—
By seniority	94	30	100	65
By competition	Nil	60	Nil	35

HIGHLIGHTS

PNB in 1973

		1972 Actual	1973 Budget	1973 Provisional	1974 Budget	1972-73 Rise %	1973-74 Rise %
	Rs.Crores						
Aggregate Deposits	"	600.0	735.0	720.0	880.0	20.0	22.2
Total Credit	"	326.6	425.0	425.0	550.0	30.1	29.4
Priority Sector Credit *	"	75.2	123.0	116.0	180.0	54.3	55.2
Differential Rates of Interest Scheme **	"	0.04	2.0	1.0	2.7	Very high	170.0
Number Trained		349	940	1100	3150	215.2	186.4
Number of Branches		907	1016	1020	1146	12.5	12.4
Rural Branches		304	371	366	417	20.4	13.9

* Exports, Agriculture, Small Industry, Transport, Self Employed, Professionals, Small Business, Retail Trade.

** A scheme to help very low income families in selected districts at a differential interest rate of 4% per annum.

PNB with a long history of a sturdy resilience and growth over 78 years, a chequered history of many weathered crises, has now embarked upon a process of Change through a structural reorganisation, new systems and a new culture.

NEW ORGANISATION : Our first task was reorganising the head office, where divisions like Regional Coordination, an inter-face between regions and head office; Management Services, an inter-disciplinary group for specialist advice handling information; Manpower Planning, Selection & Training Division to rationalise selection and training, were formed.

A number of permanent committees, such as the Executive, Finance, Credit, Personnel, Priority Sector, have been formed to change the past one-upon-one system of decision-making for something wider and participatory, and especially to involve the younger middle managers. Functionally and not hierarchically structured, the committees are meant to speed up and not slow down decisions or to shelter the indecisive. There is also a weekly communication meeting of all managers, besides a daily meeting of the seniors. In the field, the eight regions have been increased to twelve - soon to fourteen - to make for compact concentrated attention and quick local decisions. Regional Managers and head office management meet quarterly to discuss and frame policy, budgets and appraise performance; and in their own headquarters they have similar monthly discussions. Ultimately, the regions will become replicas of head office.

NEW SYSTEMS : Communications, the problem of any growing organisation, is being tackled through an Information and Accountability system whose heart is the new performance budget and its monthly, quarterly, and mid-year review, prepared in a series of projections between July and December of the previous year, and reviewed specially through the Monthly Flash Report received from over 1,000 branches.

Delegation is the key: new and wide powers have therefore been given along the line.

NEW CULTURE : The Change we are introducing will only endure if we can also change the old culture, the most challenging of tasks! New organisation structure and systems will indeed induce a measure of change, but PNB's dynamism must develop a self-sustaining capacity to change; in fact anticipate its need.

MEN : What matters in all this is the men - change agents, decisive and dedicated. While there are many aches and pains in the process, let us hasten to add that change has found fertile soil in PNB.

To befit these men for higher responsibility at each step, we are developing a network of six training centres besides making extensive use of outside institutions. The number trained is thus being stepped up from 349 in 1972 to 1100 in 1973 to 3150 in 1974.

COSTS : An acute problem is rising costs, a common feature with all banks, reaching proportions that are seriously affecting the systems' profitability. We are deeply conscious of our responsibility to the objectives of nationalisation, whose cause we shall have ill served if the profits we ought to turn over to the State diminish or extinguish; and worse if the service we give the customer leaves him dissatisfied. The scale of cost escalation since nationalisation contains some food for thought. Total expenditure has risen by 82%, establishment 83% and overtime by 119% in the last four years.

Rising costs somehow go with diminishing service, and here we must improve. Inflationary pressures will push up costs; but a good management is never choiceless in exercise of some initiative at least in cost reduction, and this we are trying to do, especially in areas of wasteful costs. An expenditure audit and the Monthly Flash Report together monitor costs; and are receiving encouraging signals.

To render courteous and prompt service to the lakhs of our customers is a sacred task, which causes us concern and where we must do better.

FUTURE : To sum up, PNB is earnestly endeavouring to achieve

— The objectives of nationalisation; through

— Giving it a new structure, systems and culture; by

— An operational philosophy, we call our 'Panchsheel'

— maximisation of deposits — maximisation of credits

— maximisation of profitability — minimisation of expenditure

— maximisation of priority sector assistance

— And, above all to give service.

Towards this end, the newly constituted Board, that included representatives of the workmen and officers, worked purposefully and harmoniously through its first year, backed by the men and women who serve in PNB; and all of them hope together to make it a model and the premier institution in the nationalised banking system. If we can achieve in 1974 the progress we have already achieved in 1973, curbing wasteful expenditure, giving better customer service, greater cohesion in effort : we shall indeed have made nationalisation meaningful. We are confident we shall do it ! And for all this, we must record the exceptionally supportive backing we always receive from our Ministry and the Reserve Bank.

BOARD OF DIRECTORS
PRAKASH TANDON Chairman
M. ABDULLA
I. S. AHLUWALIA
D. P. CHADHA
A. K. DUTT
B. M. GOGTE
V. M. JAKHADE
Dr. A. S. KAHLON
V. N. KAK
MADAN MOHAN MAHAJAN
S. R. MOHINDROO General Manager
B. K. VORA Deputy General Manager

growth rate for the economy for the period of the Fifth Plan" (Ch 1, para 6, p 2). Further, "a higher rate of growth, though very desirable from the angle of removal of poverty and building up the growth potential *has not been considered feasible*, taking into account the implications for balance-of-payments, the overall investment requirements and the physical constraints on creation and utilisation of capacity in different sectors" (Ch VI, para 2, p 16; emphasis added).

We have already seen that with unchanged technology, the aggregate income generated in the production process is not sufficient to sustain the prespecified levels of final demand. If, in addition, the target growth rate of 5.5 per cent per annum is to be accepted as the maximum feasible one, the brunt of adjustment has to be borne by the final demand vector. The possible alternatives are as follows : (a) a reduction in the private consumption expenditure with adverse welfare consequences; (b) a reduction in the government consumption expenditure with its adverse effects on the direct welfare services supplied by the government; (c) a reduction in the quantum of gross investment with its adverse effects on long-term growth; (d) a reduction in exports and/or an expansion of imports with their adverse consequences on the balance of payments and the social objective of self-reliance; or (e) any combination of (a) to (d). It is at this point that the trade-offs between redistribution, growth and self-reliance make their unpleasant appearance.

The past experience of the government in checking the private consumption expenditure has at best been dubious. Even if we assume for the sake of argument that this is possible and if the postulated redistribution programme is to be kept unchanged, the socio-political consequences of redistribution may be expected to be even more pronounced at a lower level of expenditure per capita, especially from the point of view of the upper income groups who besides being socio-politically influential are supposed to lose in the process of redistribution. The past record of the government in checking its own consumption expenditure has been even more dubious. As it is, the Technical Note assumes a very conservative rate of growth of 7.00 per cent per annum of public consumption expenditure as compared to the realised rate (over the last decade) that was more than twice as high even after excluding the abnormal drought years 1965-66 and 1966-67.

The remaining two alternatives (c) and (d) basically imply adjustment in the financing elements of gross investment. It is clear that if, in the absence of effective control over private and public consumption (that has all along been the experience), it is difficult to curb consumption, its effects are reflected in the reduction of private and public savings which, in turn, bring about a reduction in gross investment in real terms assuming foreign assistance to be given and non-adjustible. If the last proviso does not hold and foreign aid is a flexible component, then the gross investment can be maintained in real terms only by increasing the foreign capital-inflow which enables an increase in imports combined with a reduction in exports. The overall marginal rate of savings for the Fifth Plan period has been postulated at 27.9 per cent (Approach, Ch VII, p 27) in comparison with the 15 to 20 per cent maximum that has been realised in the past. The pattern of financing postulated for the Fifth Plan period is presented in Table 1 along with broad indicators of the past record.

It is clear from Table 1 that the Fifth Plan postulates an increase in the relative importance of public sector savings not only to compensate for the reduction in the importance of foreign assistance but also to partially substitute for the relative importance of the private sector. As a result, the marginal rate of savings implied for Central and state budgets is expected to be 35.5 per cent with a steep rise in the corresponding average rate of savings from 14.0 per cent in 1973-74 to 21.6 per cent in 1978-79 (Approach, Ch VII, p 27). This implies a sharp break with the past record as well as requires a discipline so far never exhibited by the Central and state governments. If the savings performance of the government sector falls short (as has been the past experience) of the target, the draft on private savings has to increase in order that the level of public sector gross investment be maintained. This can either be at the cost of private sector investment or the required level of private savings has to be raised above the level postulated in the plan. If the marginal rate of savings for the private sector is already postulated at the ceiling level (after taking into account all policy measures to increase it), the net increase in private sector's savings is clearly infeasible.

Coming to private savings, 85 per cent of these are expected to originate in the household sector and the remaining 15 per cent in the corporate sector in contrast to the 90 to 95 per cent and 5 to 10 per cent breakdown realised in the past. In fact, in recent years, the private corporate sector has come to depend increasingly on the public financial institutions for capital formation instead of financing it out of retained earnings. If this trend continues, the importance of corporate savings as a source of financing capital formation may go down. As regards household savings 41 per cent are postulated in the form of direct investment in comparison with 50 per cent in the recent past. It is important to note that this component is not available for transfer to other sectors and if this is underestimated, as it appears to be, the difficulties of mobilisation and canalisation of household savings may themselves be underemphasised. Moreover, if the redistribution postulated under the preferred variant of the Planning Commission (Approach, Ch VI) transfers incomes from those whose marginal savings rate is relatively high to those whose marginal savings rate is relatively low, the adverse consequences on household savings are obvious. This is only one of the reflections of the trade-off between growth and redistribution.

If redistribution affects household savings adversely and if the government is unable to curb either its own consumption or the conspicuous consumption of the rich, the only way in which the growth objective can be retained in the face of closed-loop

TABLE 1: PATTERN OF FINANCING GROSS INVESTMENT FOR THE FIFTH PLAN AND THE PAST EXPERIENCE
(Percentage of total investible resources)

	Fifth Plan	Past Experience
(1) Public Sector Savings*	34.65	17.00
(2) Private Sector Savings	62.69	70.00
(3) Foreign Capital Inflow	2.66	13.00

*Including those of public financial institutions.
Source: Approach, Ch VII, Table 15, p 33.

inconsistency is through having more foreign assistance than what is postulated in the plan by cutting down exports and increasing imports. If this is not politically or otherwise feasible, the only component in the final demand vector which can be feasibly sacrificed in order to ensure a closed-loop consistency is the aggregate level of gross investment. If maximum efficiency of utilisation of capital is already assumed, this alternative would have adverse effects on growth. In other words, the foregoing discussion clearly indicates that the closed-loop inconsistency detected in the Planning Commission exercise may be expected to be feasibly resolved only by sacrificing the target growth rate in favour of redistribution and self-reliance. Indeed, it is possible to give up the objective of redistribution or self-reliance or some combination of the sacrifice in the two for maintaining the long-run growth objective. But these trade-offs have to be faced explicitly.

To recapitulate, we have made three main points in this section. First, we have argued that the static input-output framework adopted by the Planning Commission is a very unsatisfactory institutional specification of the Indian situation and is most likely to give misleading directions regarding the allocation of resources. Secondly, the growth rate of GDP at factor cost required to sustain the prespecified levels of final demand incorporating the social objectives turns out to be at least 6.0 per cent per annum under certain plausible yet conservative assumptions against the 5.5 per cent rate assumed by the Planning Commission. Thirdly, in the context of this inconsistency, we have highlighted the tradeoffs between the accepted social objectives, though more substantively, the same tradeoffs would arise if the domestic savings postulated in the Approach document prove overambitious and difficulties in their transformation into an appropriate composition of investment prove insurmountable.

IV

Model in Relation to Social Objectives

Growth, redistribution for the removal of poverty and self-reliance can be taken to be the basic social objectives of the Fifth Five-Year Plan. The utility of the planning model may then be judged with reference to the light it throws on the consequences of alternative quantifications of these objectives as well as on the interrelations among them.

The objective of economic self-reliance requires the specification of (a) the rate of growth at which and the date by which self-reliance is to be accomplished; (b) the definition of self-reliance (in terms of net or gross aid); (c) the detailed areas where import dependence is currently crucial and the causes thereof (for example, indigenous non-availability, or availability at costs higher than at international prices or inability to meet total demand from domestic production due to supply bottlenecks and so on); (d) the present level and composition of exports, the detailed analysis of the factors influencing their growth and the likely international demand for them over the five-year period; (e) the realistic limits of possibilities of expanding domestic capacities both for import-substitution and export expansion and their adverse effects on the rate of growth in terms of the economic costs involved in the delays in getting the crucial inputs from domestic sources on time and in the inefficient high cost structure developed under the protective umbrella provided by the permanent foreign exchange shortages; (f) the resolution of the possibilities of trade-offs between export-expansion and import-substitution; and (g) the mutual compatibility between (a) and (b) as desirable targets on the one hand and (e) and (f) as feasible objectives on the other, the underlying trade-offs between growth and self-reliance revealed in the process and the explicit ways in which they can be resolved.

The exercises required for the examination of attaining self-reliance have to be carried out at a level of disaggregation much more detailed than what is possible in a broad sectoral classification adopted in the input-output table. The static input-output framework incorporates in an exogenous manner the end results of the exercises indicated above and hence cannot confirm nor refute in a substantive manner the economic feasibility or otherwise of the assumptions in this regard. The model by itself does not shed any substantive light on the objective of self-reliance. All it indicates is the implications of these assumptions for the sectoral growth rates of output. But even in this limited sphere, the utility of the model has been severely limited for the following reasons.

First, the specification of the import-structure in the model is based on a set of import co-efficients which are basically unstable even on a priori grounds besides the pronounced biases they may contain.[8] It is clearly dangerous to project the import-requirements on the basis of unstable parameters. Secondly, the import-substitution targets are specified in terms of an apparently *ad hoc* downward revision in a large number of unstable co-efficients. No discussion of the rationale behind these reductions in import co-efficients is found either in the Approach document[9] or in the Technical Note. One has to search painstakingly through two matrices of 66 x 66 and 66 x 3 dimensions each for the two years 1973-74 and 1978-79 in order to figure out the specification of the import-substitution targets. No wonder that the Technical Note specifies *only one* set of import-substitution targets in view of its unwieldy nature. It is here that the limitation of the specification (besides its unstable basis) becomes obvious. The Planning Commission has indeed tried alternative specifications of the growth rate of exports although even here its choice of the range between 6.5 per cent per annum and 8.0 per cent per annum reflects unwillingness even to face the consequences of the trend growth rate of 4.0 per cent per annum over the last decade or so. But even neglecting this, one would have thought it useful (i) to specify the set of import-substitution targets in alternative ways, and (ii) to do a sensitivity analysis with reference to certain crucial import-substitution targets. This is extremely important from the point of view of working out a trade-off beween import-substitution and export expansion. Moreover, our previous plans have tended to underestimate both the import requirements and the difficulties connected with the expansion of domestic capacities required for import-substitution. This has resulted in a misallocation of investible resources leading to excess capacities in certain sectors combined with inadequate capacities in certain others with their adverse consequences on the balance of payments. If one were to learn from this experience, it is clearly desirable to chalk out alternative strategies based on alternative specifications of the import-substitution targets. However, this is nowhere apparent either in the Approach document or in the Technical Note. Thus it is clear that the utility of the model even within the limited sphere in which it could have been useful is severely restricted because of the weaknesses both in the specification of import co-efficients and in the speci-

fication of the import-substitution targets. As we indicate in the next section, a simpler specification based on relatively more stable and more readily available numerical parameters would have corrected these weaknesses and increased the flexibility of the model.

Coming next to the objective of redistribution for the removal of poverty, the consumption model works out the sectoral composition of the private consumption expenditure with and without reduction in inequality in the size distribution of consumer expenditure. The static input-output model then works out the consistent levels of sectoral gross outputs under the alternative redistribution assumptions and their implications for the output-mix (see section II for further details). This specification has two basic weaknesses. First, it does not indicate the income-generation consequences of the postulated redistribution because of its open-loop nature (see section III). Secondly, since it seeks to bring about redistribution of *expenditure* and *not of income*, it fails to focus attention on the consequences of redistribution on savings and hence on the economy's ability to successfully undertake a given quantum of investment with foreign assistance treated as exogenously given.

However, even within a static input-output framework, to the extent that the model sheds light on the sectoral growth implications, the Approach document observes that "with respect to agriculture, core industries and mass consumption goods", the sectoral growth rates are broadly similar and "almost invariant with respect to any *alterations* in the inequality parameter" (Approach, Ch VI, para 16, p 21; emphasis added). The corresponding calculations in the Technical Note admit "some differences in a few sectors consequent on further scrutiny of the results". However, "all these changes do not affect any of the qualitative aspects of the growth strategy adopted in the Approach document" (Technical Note, p 35).

Four comments are warranted. First, exercises in the Technical Note indicate that the inequality parameter has been altered in only *one* way. Hence, the invariance, if it holds, holds with respect to *only one* alteration in the inequality parameter and *not* any alterations as claimed in the Approach. Secondly, we would discuss the extent of invariance as well as the reasons behind it in the next section where we argue that whatever invariance that exists is due to the block-angular structure of the input-output matrix combined with the open-loop framework adopted and it need not hold in an institutionally more appropriate closed-loop framework. Thirdly, the invariance, if true, has an interesting implication, namely, that growth and redistribution are functionally independent objectives. This is contrary to what is generally believed. We will come back to this point in the next section. Finally, the invariance implies that the basic growth strategy suggested by the model is numerically insensitive to the basic objective of the plan, namely, the removal of poverty.

Once the insensitivity of the sectoral growth implications to the specification of redistribution for the removal of poverty is granted, the *only* function their redistributive exercise performs with reference to the social objective of the removal of poverty is in indicating the sacrifices and gains to various sections of the population. But even in this limited context, the Approach document tends to underplay the amount of sacrifice involved for the upper sections of the population and overplay the gains to the lower sections without explicitly admitting the massive nature of the redistribution involved in the process.[10] Redistribution has far-reaching socio-political consequences especially in a democratic environment and its socio-political feasibility requires a very careful scrutiny. Moreover, even when socio-political feasibility is guaranteed, the economic and policy-frame feasibilities do not necessarily follow in view of the constraints imposed by the institutional framework of a mixed economy. On these grounds, one may justifiably have expected the Planning Commission to confine itself not just to only one specification of redistribution but work out a discrete range of possible alternatives. If, in addition, these alternatives had been backed up by their policy consequences, the political choice could have been more informed after being fully aware of the consequences of alternative courses of action.[11] Unfortunately, the exercises contained in the Technical Note are woefully lacking even in this limited sphere on which the numerical results of the model could have thrown some light.

Finally, we turn to the growth objective. As the discussion of the model in section II indicates, this is specified at the aggregate level and independently of the remaining elements of the model. Because of its exogenous nature, the model is incapable, by its very construction, of working out the trade-offs between self-reliance and growth or between redistribution and growth. This feature is further accentuated by the fact that no alternative exercises have been performed as we have seen in this section with reference to the specification of import-substitution or redistribution. All that the results of the model indicate is, assuming the aggregate growth rate to be functionally independent of other objectives, what the consequences are of growth with redistribution and/or self-reliance on the sectoral rates of gross output. Whatever trade-offs or interrelations that may exist between growth and redistribution or growth and self-reliance are implicitly assumed to be resolved prior to specification.

At this point we may note the rigidities in the analytical structure of the model which lead to certain counter-intuitive results with reference to the operation of the redistribution objective.

We may recall from section II that the exogenous specification of the aggregate growth rate which, besides fixing the value of gross domestic product in the terminal year, determines the quantum of gross investment through the Harrod-Domar mechanism that is invariant, by construction, to the specification of self-reliance or to the redistribution of private consumption even though on economic grounds we may have reasons to expect inter-dependence. The gross domestic savings (S^t) follow as a residual after we subtract from gross investment ($\bar{I}^t$), the foreign assistance (F^t) derived as a difference between partially endogenous imports (M^t) and totally exogenous export ($\bar{E}_t$). Private consumption (C^t) is then derived as a residual after we subtract from gross domestic product ($\overline{GDP}^t$), exogenously specified government consumption expenditure ($\bar{G}^t$) and gross domestic savings (derived above). In other words

$$S^t = \bar{I}^t - (M^t - \bar{E}^t) \qquad (1)$$

$$C^t = \overline{GDP}^t - \bar{G}^t - S \qquad (2)$$

Now, a redistribution of consumption brings about a reduction in partially endogenous imports and since exports and gross investment are invariant to redistribution, gross domestic savings go *up* as compared to a situation without redistribution. Consequently, the rate of domestic savings in the terminal year and the marginal rate of domestic savings go *up* as a

result of redistribution. This counter-intuitive result is a direct consequence of the invariance of growth to the specification of redistribution combined with the focus of redistribution on consumption rather than income. The problem does not end here. Because gross domestic savings go up as a result of redistribution, it is clear from the relationship (2) above that the aggregate private consumption goes *down* as a result of redistribution — a very strange result indeed on any grounds. Fortunately for the Planning Commission the reduction in imports resulting from redistribution does not turn out to be quantitatively significant; otherwise, we would have had a *situation* where redistribution results in a steep reduction in aggregate private consumption and a correspondingly steep rise in domestic savings as well as a reduction in import requirements — a real dramatic situation of bliss in a paradise where no unpleasant trade-offs exists between self-reliance, redistribution and growth which bother mortals outside the Planning Commission. But it is important to emphasise that the paradise is a direct consequence of the rigidities in the analytical framework and in the specification of the model adopted by the Planning Commission.

Now a reduction in imports resulting from redistribution has been justifiably mentioned in the Approach document as evidence of "positive correlation between reduced inequality and self-reliance" (Approach, Ch V, para 7, p 13) whereas the Technical Note (p 42) provides "the level and type of aggregation adopted in the input-output analysis", as the reason for its insignificant quantitative magnitude.[12] One only wonders whether, if in fact this magnitude had been significant, it would have been a "confirmation" of the rigidities in the analytical framework and the specification of the model or of the positive correlation between self-reliance and redistribution.

We have, however, good economic grounds to expect conflicts between growth, self-reliance and redistribution for the removal of poverty. But the Planning Commission's model is of little help for this purpose for the following reasons:

First, the direct and indirect import-dependence through the current private consumption of luxury items is likely to be quantitatively much less significant than that through investment goods directly as also through the raw materials required for their domestic production and spares for replacement. Since the quantum of gross investment and its composition by sector of origin is exogenously and rigidly fixed and is invariant to the redistribution in private consumption, the model cannot bring out these wider interconnections between self-reliance and redistribution.

Second, to the extent that redistribution transfers incomes from those with a higher marginal savings rate to those with a lower savings rate, it would give rise to a reduction in the aggregate investible resources and hence to a conflict with growth and self-reliance. The model does not incorporate income and savings generation endogenously and hence is unable to bring out this conflict.

Third, foodgrains provide yet another link between self-reliance and redistribution, through the import outlays on fertilisers and raw materials for their domestic production as also through the direct foodgrains imports. Fertiliser imports have always been underestimated due to delays in commissioning their domestic production. Moreover, the fertiliser requirements for stepping up the rate of agricultural output well above the trend rate are likely to go up steeply. In addition, the cushion provided by the PL 480 imports is no more available for direct imports of foodgrains. On top of these factors, since the demand for foodgrains resulting, from the postulated redistribution is underestimated by 5 to 6 per cent in 1978-79 (as we would see shortly), its effects on domestic price stability and balance of payments repercussions are likely to put the objective of self-reliance in jeopardy.

Finally, the import-substitution fostered under the protective umbrella provided by the continuous foreign exchange shortages and export-expansion of non-traditional items through various subsidies involve inefficient domestic production which conflicts with the growth objective. Additional costs are also involved in terms of delays in getting crucial inputs from indigenous sources. These trade-offs between growth and self-reliance are outside the scope of the Planning Commission's model.

We have thus seen that the analytical rigidities as well as the weaknesses in the specification of the model adopted by the Planning Commission combined with the absence of well-worked-out alternatives with reference to import-substitution and redistribution have prevented the results worked out from the model being useful even within the limits imposed by the general specification given by a combination of the Harrod-Domar and the static input-output framework.

Appendix

A closed-loop consistency condition (b) in the text requires the following relationship to be satisfied among the relevant macroeconomic variables.

Definition:

GDP at factor cost equals net disposable income of the households
plus direct taxes
plus net retained earnings of the corporate and co-operative sector and those of the financial institutions.
plus net retained surplus of the Central and state enterprises.
plus depreciation.

We now take up the estimation of each component on the right hand side of the definition.

Net disposable income of the households: Using the gross savings ratio of 11.2 per cent and the aggregate consumption of Rs 45,171.68 crores for 1978-79 (Approach, p 27), the gross disposable income of the households works out to Rs 50,867.83 crores in 1978-79 implying gross savings of Rs 5,696.15 crores. From Table 14 (p 33), 41 per cent of the gross savings may be assumed to be in physical assets on which depreciation has to be provided. For the period 1960-61 to 1965-66, depreciation as per cent of gross savings in physical assets for households amounts to 53 per cent on the average [Central Statistical Organisation: "Estimates of Savings in India 1960-61 to 1965-66", Department of Statistics, Government of India, 1969, See Table 8, p 13.] On this basis, the depreciation on physical assets is calculated at Rs (5696.15)x(0.41)x (0.53) or Rs 1237.77 crores. Substracting this amount from the gross disposable income yields Rs 49,630.06 crores as an estimate of net disposable income of the households (see Table A).

Assuming that direct taxes would grow at 15 per cent per annum (a historical growth rate over 1960-61 to 1965-66 has been 16.2 per cent per annum) and using the stock-flow conversion factor developed by Manne, we find that 28 per cent of the direct taxes over the five year period, or Rs 3,005.52 crores may be expected to realise in 1978-79.

The net retained earnings of the corporate and co-operative sector are indicated as Rs 1,229 crores and Rs 141 crores respectively (Approach, para 31, p 32). The net retained earnings of the *financial institutions* works out to Rs 465 crores for Reserve Bank of India (Approach, para 27, p 31) and Rs 220 crores for other financial institutions (Approach, Table 11, pp 31-32) thus making a grand total of Rs 2,055 crores. Assuming these savings to grow at 10 per cent per annum, 25 per cent of this grand total or Rs 513.73 crores may be taken to realise in 1978-79.

Retained surplus of the Central and state governments has been estimated at

TABLE A: DETAILS REGARDING DIRECT TAXES

	Amount to Be *Raised over* the Five Years (Rs crores)	Source in the Approach Document
(1) Direct taxes by the Centre		
(*i*) Income tax	3,914	Table 5, p 28
(ii) Corporate income tax	3,385	Table 5, p 28
(iii) Estate duty	42	Table 5, p 28
(*iv*) *Wealth tax*	230	Table 5, p 28
(v) Gift tax	17	Table 5, p 28
(vi) Additional mobilisation from direct taxes	2,450	Para 23, p 31
(2) Direct taxes by the states		
(*i*) Land revenue	608	Table 8, p 29
(ii) Agricultural income tax	60	Table 8, p 29
(*iii*) Tax on urban property	28	Table 8, p 29
(3) Total: all direct taxes	10,734	

TABLE B

Year	GDP at Factor Cost at 1960-61 Prices (Rs crores)	Depreciation at 1960-61 Prices (Rs crores)	Depreciation as Per Cent of GDP at Factor Cost
(1)	(2)	(3)	(4)
1960-61	14,101	735	5.21
1961-62	14,643	784	5.35
1962-63	15,040	885	5.88
1963-64	15,871	913	5.75
1964-65	17,044	983	5.77
1965-66	16,175	1002	6.19
1966-67	16,456	1064	6.47
1967-68	17,959	1117	6.22
1968-69	18,401	1168	6.34
1969-70	19,350	1218	6.29
1970-71	20,254	1369	6.76
1971-72	20,634	1433	6.94

Source: Central Statistical Organisation: "Estimates of National Product 1960-61 to 1969-70", New Delhi, May 1971, Tables 5 and 6, pp 8 and 10. Upto 1969-70: Central Statistical Organisation: Press Note dated December 3, 1973, p 7 for 1970-71 and 1971-72.

Rs 1,703 crores at 1972-73 rates (Table 10, p 31) and additional mobilisation is postulated at Rs 400 crores (para 26, p 31), thus making a total of Rs 2,103 crores over the 5 year period. Assuming these surpluses to grow at 15 per cent per annum (or twice the rate of growth of aggregate investment), 28 per cent of this or Rs 588.84 crores may be expected in 1978-79.

As regards *depreciation*, Table B indicates the historical position over the last decade. From this Table, it appears that even excluding the two abnormal years 1965-66 and 1966-67, depreciation as per cent of GDP at factor cost has been steadily rising and that in 1971-72 it has been observed to be 6.94 per cent. For 1978-79, it may be conservatively expected to be at least 7.00 per cent. It may be higher in view of the fact that gross fixed investment is postulated to increase at the rate of 7.50 per cent per annum and that the aggregate incremental capital-output ratio is expected to go up from 2.33 in the Fourth Plan to 3.14 in the Fifth Plan (Approach, p 49).

Putting these figures together, the net domestic product (NDP) at factor cost covering the first four elements of the right hand side of the definition works out (in Rs crores) to (49,630.06 + Rs 3,005.52 + 513.73 + 588.84) or Rs 53,738.15 crores.

Now GDP at factor cost would be given by NDP at factor cost *plus* depreciation. Assuming depreciation to be 7 per cent of the GDP at factor cost, the estimate of GDP at factor cost amounts to Rs 57,782.95 crores.

Thus, the GDP at factor cost *required* to sustain the prespecified level of final demand appears to be Rs 57,783 crores in comparison with Rs 56,300 crores postulated in the Approach document or higher by 2.63 per cent. Assuming the closed-loop consistency to hold in 1973-74, the *required* average annual growth rate of GDP at factor cost is a little over 6.00 per cent and not 5.5 per cent as postulated in the Approach document. This required rate of growth would be higher if depreciation forms a higher percentage of the GDP by 1978-79 as may be reasonably expected on the basis of the extrapolation of the observed trends in the recent past.

[This is a shorter version of a more technical paper (see Tendulkar (1973)) that was presented to a seminar at the Indian Statistical Institute, New Delhi, on November 28, 1973. I am indebted to my colleagues Pranab Bardhan, V K Chetty, D Dasgupta, P Mallela, Kirit Parikh and especially T N Srinivasan for detailed comments and criticisms and to R N Kar for competent assistance. Ashok Rudra gave valuable suggestions for the present version. I am also grateful to S Chakravarty for making a copy of the Technical Note (April 1973) available to me, to K C Majumdar for supplying clarifications regarding the details in the Technical Note and to Nitin Desai for pointing out some double-counting in an earlier version of the Appendix in the present paper. I alone take the responsibility for the views expressed and the errors and shortcomnigs that persist.]

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Notes

1 See Planning Commission (1973) in the references.

2 See Perspective Planning Commission (1973).

3 It may be noted that indirect taxes on GDP (T_t^{**}), public consumption (T_g^{**}), gross fixed investment (T_i^{**}), and exports (T_e^{**}), are exogenously specified and constitute the difference between the corresponding variables measured at market prices and at producers' prices. Indirect taxes on intermediate inputs (T_{int}^t) are said to be determined endogenously through the specification of the rates of excise and import duties on the domestic and imported intermediate inputs. Indirect taxes on private consumption (T_c^t) follow as a residual, i e,

$$T_c^t = T_t^{**} - (T_g^{**} + T_i^{**} + T_e^{**} + T_{int}^t)$$

4 It is assumed here implicitly that capital is the most binding bottleneck to growth. It also holds for the exercise carried out by the Planning Commission and is accepted as a good enough approximation to reality. This is not the place to go into the debate regarding this premise.

5 This framework consists of making a comparative static jump from the base year to the terminal target year of the five-year plan without explicitly tracing out the time path of the various variables during the intervening period.

6 The clearest statement of this proposition is found in Mahalanobis (1955): "We have taken our stand on the *obviously true* proposition that if something can be shown to be feasible in *physical* terms, then the financial and fiscal machinery can *always* be adjusted to supply a satisfactory monetary counterpart (provided there is no difficulty in making the necessary institutional changes)" (emphasis added) p 50. See also Lewis (1962) p 35, Perspective Planning Division (1964) p 26, para 80 and Manne and Rudra (1965) p 67, para 1.6 for similar views.

7 It may be clarified that this model too is an abstraction from reality because it assumes free transferability of savings across sectors and their transformability into productive investment in accordance with a prespecified incremental capital co-efficient matrix. In actual fact, certain types of savings may be tied to certain uses and may not be freely transferable nor transformable. But this level of abstraction is much less than that assumed by the static input-output models or single period models of the Manne-Rudra variety.

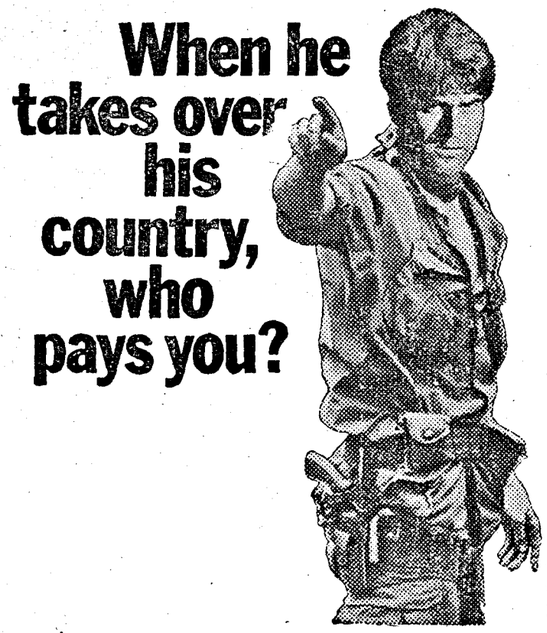
8 We examine this aspect in detail in the next section.

9 Chapter V on self-reliance in this document is conspicuous for its non-quantitative nature in terms of the total absence of any discussion on the sectoral dependence on imports and its postulated reduction.

10 See section VI Tendulkar (1973) for elaboration of this statement.

11 We would get back to this question again in section VI.

12 We will examine this aspect further in section V.



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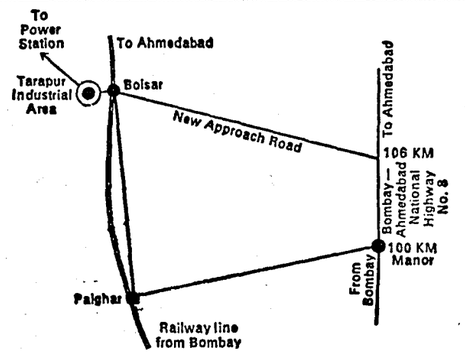
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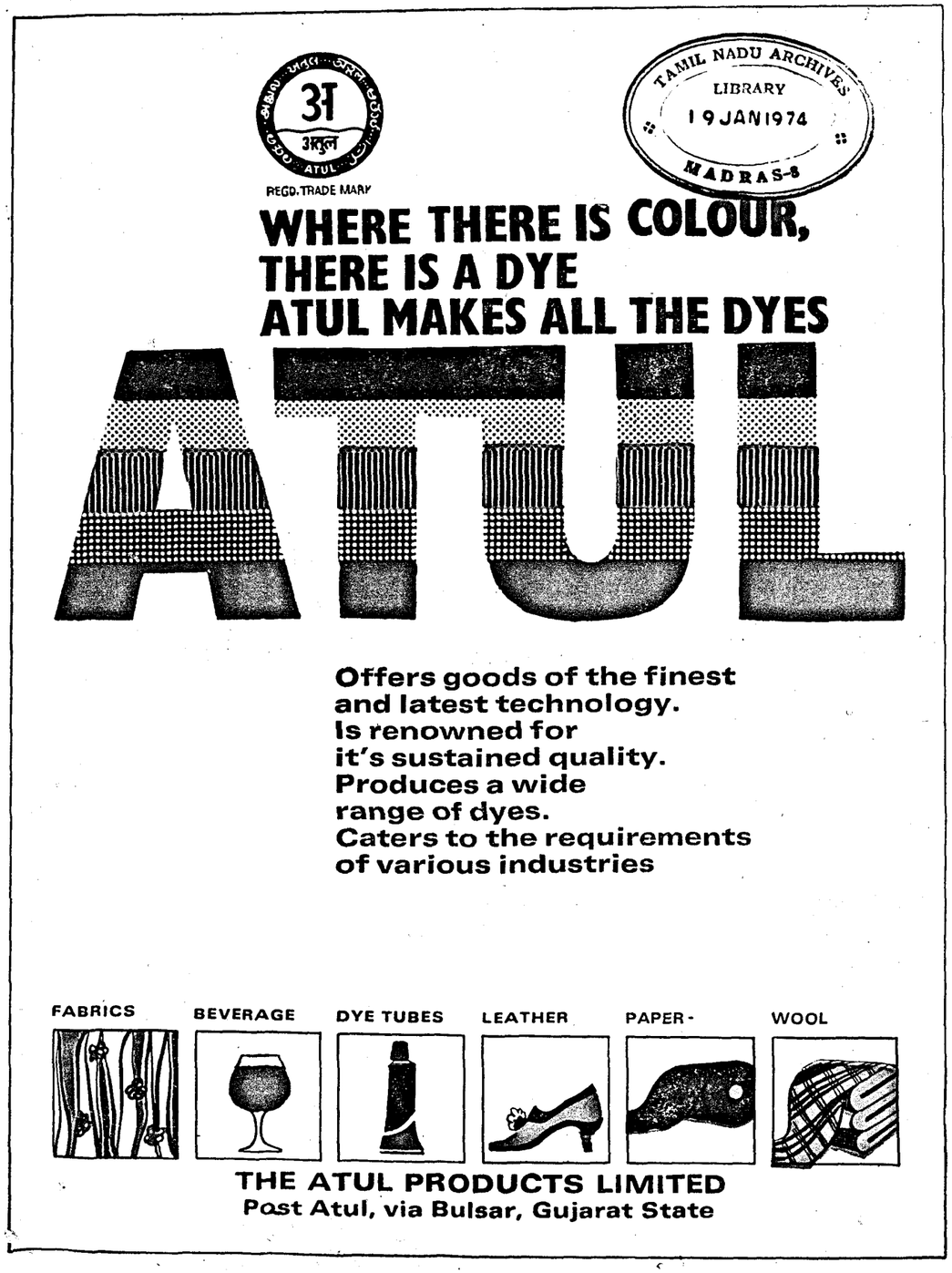
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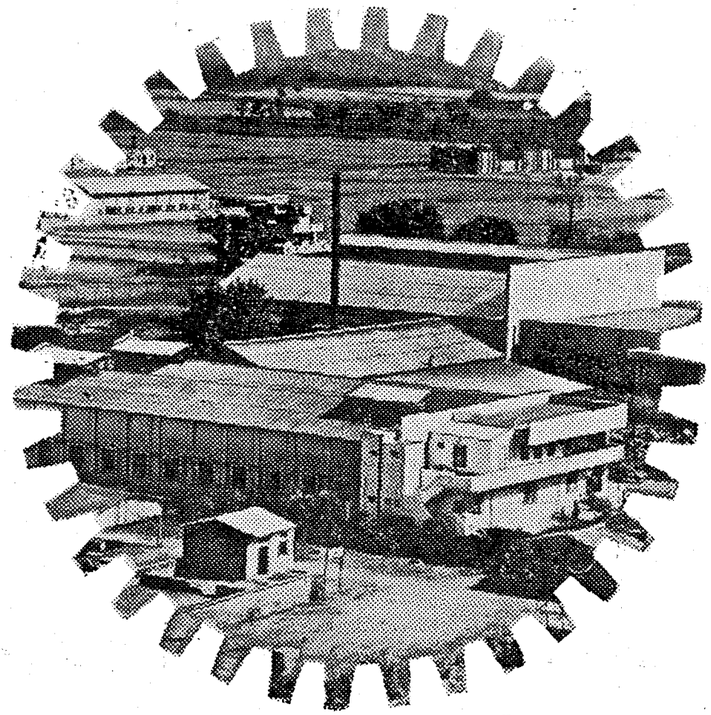
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Fumbling with the Oil Crisis

FACED with a major foreign exchange crisis as a result of the sharp rise in the cost of petroleum imports, the government continues to fumble. There is still no visible seriousness about shifting the energy base of the economy to coal. Instead, the government's primary preoccupation appears to be with negotiating with some of the oil exporting countries to ensure undiminished and, if possible, larger imports of oil. The problem of paying for these imports is apparently proposed to be tackled by seeking credits from the oil exporting countries. The red carpet rolled out for the Iranian delegation visiting New Delhi to discuss nebulous proposals of economic co-operation between the two countries has to be seen in this context. The simultaneous despatch of the Planning Minister to Iraq for negotiating credits was a rather crude attempt to put pressure on Iran. The Iranians have, however, refused to oblige. The joint press statement issued at the end of the talks with the Iranian delegation contains no reference to agreement on any specific proposals; there is no mention even of broad agreement in principle on any projects for co-operation in industry or trade. The Iranians perhaps want to assess India's performance in its dealings with Iraq before committing themselves to any specific proposal. Thus there is to be another round of talks in Teheran next month.

What is it precisely that the government of India hopes to achieve by courting the oil suppliers? Even if they were keen to help India, it is unlikely that any of them would be willing to sell oil to India at lower than the going market prices. Exhortations to the oil exporting countries to mind the interests of the developing countries are all very well. But in practical terms all that these countries would be willing to do is to extend short-term credits to some of the developing countries for purchasing their oil. This the oil exporters may do in their own interest; what is not equally evident is whether it will be in the interest of countries like India to buy large quantities of oil on credit.

At the current price of crude of about $ 10 per barrel, the landed cost of one million tonnes of crude would be around $ 80 million. The current level of our imports of crude oil and petroleum products is around 16 million tonnes. Even if it is assumed that we are able to peg our imports of crude at 16 million tonnes, the total import bill on account of petroleum goods is unlikely to be lower than $ 1,300 million in 1974-75, compared to about $ 300 million in 1972-73. It would be naive on our part to assume that the oil exporting countries would be willing to offer credits anywhere in the range of $ 700-1000 million annually. Even if it is assumed that these countries prove to be very generous and offer credits of $ 500-600 million a year, what would be the implications? Since such credits would be on commercial terms, at interest rates exceeding 8-9 per cent, the repayment implications would be truly staggering. Already the debt servicing burden on the country exceeds $ 700 million per annum. To accept large short-term credits on commercial terms, on top of this, to finance oil imports would be suicidal. It may be mentioned, incidentally, that the readiness of the oil exporting countries to offer us credits will be related to their assessment of our ability to service our debts. This should rule out the prospects of very large credits even if the government of India is foolish enough to seek them. There is thus simply no escape from reducing the country's dependence on oil as an energy-source and as feedstock for industry. Instead of high-falutin diplomacy aimed at the oil producers, this is the task to which the government should be getting down immediately.

How distasteful the government finds down-to-earth planning and policy-making of this sort is to be seen from the list of possible collaboration proposals submitted to Iran. The list includes a joint refinery in Iran with a capacity of 25 million tonnes; expansion of the Madras refinery to six million tonnes along with a fertiliser plant and a petro-chemical complex oriented mainly towards export; export of minerals, cement, sugar, textiles, jute and alumina to Iran; starting of a joint shipping company; and offer of consultancy and technical services for building infrastructure and economic overhead facilities in Iran. Projects such as a huge petroleum refinery in Iran or a shipping company would require large foreign exchange contributions by India as its share and it is not at all clear how we propose to find the foreign exchange resources. Again, setting up a petrochemical complex in India to cater exclusively to foreign markets makes little sense when this country is certain to be very short of these goods for the next several years. Similarly, proposals for export of commodities like cement and alumina, of which there is acute shortage in the country, can hardly be taken seriously by anyone.

The government of India has put forward similar proposals to a number of other countries, including Iraq. Few of these countries are likely to take

these proposals seriously, considering the state of the Indian economy which is itself short of a wide range of commodities as well as of investible resources, including foreign exchange. The countries whom we generously offer to help in all sorts of areas are surely aware that we are ourselves seeking help from other countries like the USSR, Japan, etc, for practically the same sort of projects. It is little wonder, therefore, that despite so much talk of joint projects and economic co-operation with so many countries, so little has been actually achieved.

The Political System

Back to 1967?

A Correspondent writes:

FOUR by-election reverses for the Congress in quick succession; the Prime Minister forced to abandon her public meeting in Nagpur without completing her speech, and later advised by the intelligence services to drop her one-day visit to Bombay for fear of unpleasant incidents; and all this in a 'safe' state like Maharashtra. It is difficult not to jump to the conclusion that the Congress is on the run. Yes, of course, it is. Politically speaking we are nearer 1967 than 1971 or 1972. But is that such an appetising prospect, after all?

In the 1967 general election a number of states went over to non-Congress governments and the Congress party's strength in Parliament was dramatically slashed. Yet what happened? One by one the non-Congress governments in the states crumbled. Then along came the Prime Minister to dangle the prospect of a new, radical Congress party, of socialism and of removal of poverty to put the Congress back in overwhelming power. True, it has taken the people rather less than three years to realise that they were duped, but where do they go from here? Another round of Samyukta Vidhayak Dal and United Front governments?

Indeed what is being exposed is not so much the failure of the Congress as the failure of the political system. The kind of protest that the system is capable of generating will not make the slightest difference to the way the country is governed or the economy is managed. Indeed, as the political threat to the ruling party grows, its concern is going to shift even more from economic management to political support-buying. It is no accident that some of the more disturbing trends in the present economic situation can be traced back to the post-1967 and especially the post-1969 period, when, after the split, the ruling party's position had become precarious. Thus it may be taken for granted that, as political trends elsewhere in the country raise doubts about Congress performance in the coming assembly elections in UP, wheat procurement in that state will be soft-pedalled, not stepped up. And there will be even more liberal commitment of government funds to a variety of projects for the Prime Minister to inaugurate.

Faced with the prospect of 1967 all over again, it is still open to the Prime Minister, or someone else in the Congress, to force another split in the party, to promise another crusade against poverty and to hope that the trick will work, largely because none of the other parties has anything more credible to offer. But how many times can this particular act be repeated? Even the last time, the Prime Minister had to back up the shiny charter of hope offered to the people with very firm support from the intelligence apparatus, the bureaucracy, the police and paramilitary forces and the army itself. If they are called upon to play this role too often, they may seriously wonder whether they can't do the job themselves instead of being just backroom boys.

Engineering Exports

Flattering to Deceive

AS has been happening for the past several years, this year also exports of engineering goods will fall short of the target fixed by the Engineering Export Promotion Council (EEPC). The EEPC, easily the most influential and vocal among the export promotion councils, recently admitted that the target of Rs 200 crores of engineering goods exports in 1973-74 will not be achieved. The EEPC chairman has cited a number of reasons responsible for this; not surprisingly, the reasons are almost identical to those the EEPC has been regularly citing for the last several years, including in years when engineering goods exports had gone up sharply. It may be recalled that when, in 1970, an export target of Rs 200 crores was suggested as being reasonable for 1973-74, the EEPC had quixotically talked in terms of a target of Rs 500 crores for 1975. Later the EEPC lowered its sights and accepted the figure of Rs 200 crores for the current financial year, but by then it had become obvious that even this lower target was beyond reach — mainly because wagon exports, which had made such a promising start about three years ago, have been doing very badly.

Engineering exports in the first six months of 1973-74 totalled Rs 72 crores, as against Rs 62 crores in the corresponding period of last year. The prospects for the rest of the year do not appear to be bright and the rate of growth achieved in the first half of the year is unlikely to be maintained. On optimistic reckoning, exports in the whole year would be below Rs 160 crores. If the depreciation in the value of the rupee against most of the major currencies is taken into account, the export performance of engineering goods in the last two or three years must be reckoned as quite disappointing, after the promise shown upto 1969-70.

With that, hopes for a major diversification of India's overall exports have been more or less shattered. Engineering goods generally account for a substantial proportion of the total exports of countries with a developed manufacturing sector. In view of the obvious limitations on the growth of India's agricultural, mining and plantation exports, the poor performance of engineering goods exports should have been taken seriously by the government as well as the industry. The government has so far adopted a peculiar attitude towards engineering exports by viewing the problem essentially as one of offering disproportionately high cash subsidies and import replenishments and leaving the crucial organisational decisions to the clique that controls the EEPC. It has not bothered to look into the complaints of smaller and, in terms of contacts at various levels of the bureaucracy, less resourceful engineering goods exporters who are at the mercy of the EEPC, as they have to route their claims for incentives and for allocation of vital raw materials through the Council. Of course, it is not only the EEPC which is dominated by a few powerful vested interests, the other export promotion councils share the same fate in varying degrees. The irrational structure of the government's export incentives, to which attention has been drawn so often in these columns, and the excessive discretionary powers which the civil servants have in administering these incentives, have encouraged the domination of the export promotion councils by small groups and reduced the government's export promotion policies into devices for conferring benefits on a few at the cost to the exchequer.

Among the factors responsible for the stagnation of engineering exports, the EEPC has pointed to the acute shortage of production capacity in several labour-intensive sectors the products of which have good export potential. One would like to know what the EEPC has done to secure expansion of production capacity in these sectors. The export promotion councils waste most of their time and effort in securing ever-increasing incentives and allocation of vital raw materials at controlled prices. The substantive aspects of export promotion — such as market research, identification of product lines with the most export potential, ensuring adequate production of these items, etc — are neglected by contrast.

The chairman of the EEPC has disclosed the disturbing fact that there is a 'virtual stoppage' of booking of contracts by a large number of exporters. According to him, this is due to the recent increase in steel and pig iron prices. In fact, until only a few months ago, Indian steel prices were competitive with those of even Japanese steel. Admitting that prices of steel and pig iron have gone up recently, why should they affect export activity so much as to result in a virtual 'strike' by exporters? The current levels of export subsidies available to exporters should adequately compensate exporters for any reduction in net cash flows from exports. The intent of the EEPC chairman's statement appears to be to try to further push up these subsidies and incentives.

Bangladesh

Plots and Ploys

RECENT events in Bangladesh are amenable to multiple interpretations. The sudden resignation of Abu Syed Chowdhury has been sought to be papered over, but presidents of republics do not quit as casually as he has done. Rumours have been afloat, not all of which need be ignored. Chowdhury is still relatively young in age and a certain restlessness in being pushed to the position of a decorative figurehead was understandable. But he is also known to have expressed in private serious misgivings about the recent amendment to the country's still-brand-new Constitution, vastly increasing the discretionary authority of the government and arming it with powers of preventive detention. Another story suggests that Sheikh Mujibur Rahman's decision to let out from prison a large number of hardened criminals and former collaborators with the Pakistani regime received only lukewarm support from Chowdhury. What was particularly galling was the Sheikh's gracelessness in announcing the reprieves from his own office, although, according to the Constitution, the orders should have been issued in the name of the President.

The operation against the so-called extremists has been meanwhile continued with great vigour. Extremism can be made to cover many sins, including the cardinal one of a consolidation of opposition against the Sheikh and his party. Apart from the various leftist groups, the major victims of the current operations are the cadres of the Jatiya Sramik Dal, the breakaway faction of the Awami League led by two of the erstwhile youth leaders, Rab and Siraj. True, with so much arms still lying unaccounted for over the vast countryside, the encounters taking place are not altogether one-sided: here and there, opposition elements have taken the opportunity to hit back at the forces of law and order and the Awami League toughs. Given the predictable nature of official reporting, it is only when an Awami League functionary is shot or killed that the police are stirred to let the world know; the killings the other way round are hardly ever mentioned.

None of these developments will apparently prevent the Sheikh from maintaining a certain flexibility in the country's external affairs. The game which Krishna Menon innovated two decades and more ago has now been found to be one which just anybody can play. There is no question of the government of Bangladesh remaining permanently beholden to India. And if the impasse over jute is unresolved, the rationale for a continuing pro-Indian stance would further thin out. Domestic exigencies have forced the Awami League to come to a short-term political agreement with the Moscow-leaning Communist Party of Bangladesh and the National Awami Party led by Muzaffar Ahmed; this does not portend a permanent tilt in policy towards the direction of the Soviet Union either. Reports of a developing rapprochement between the Sheikh and the ever-wayward Maulana Bhashani should not therefore be straightaway classified as belonging to the genre of fiction; nor is the story of a special emissary, equidistant from the two personalities, being despatched to Peking to sound out the Chinese altogether without foundation. Irrespective of the class character of the Sheikh's regime and the repressions let loose against the radical Left, China too might not find it all that incongruous to bestow late blessings on the Bangladesh leader in case such a gesture would help, howsoever marginally, to contain the influence of the Soviet Union on the government of this strategic land. Men like Tajuddin Ahmed, with their known leanings toward India and the Soviet Union, may thus have genuine cause to feel nervous. The current gossip about the Finance Minister's having recently offered to resign can certainly be linked to some of these more recent developments.

Press and Police

Facts, Fortunes, Bodies

IT seems to have become an article of faith with Bombay's press reporters on the crime or political-communal disturbance beat that the police version of any incident be accepted without question, however incredible it may be. And even if some individual reporter is professional enough to write a news story after some independent investigation, it is more than likely to be killed or mutilated by the editors or news editors in case the facts annoy the higher gentry in the government or police establishment. But basically, the tie-up between the police and the press is a marriage of convenience and of occasional profit.

Sometimes, the press-police tie-up exhibits itself in ridiculous — and tragic — stories which are so patently cooked up that even the casual reader cannot possibly believe them. One such story appeared as the lead item on the front page of the *Evening News of India* on December 14. 1973. It stated: "The death in Nair Hospital yesterday of Jaikishan Laxman Mahavir Dhobi (45), who became ill while eating food brought by his wife to him in a police lock-up, was reported to the coroner.

"The Gamdevi police told the coroner that Dhobi was taken into preventive custody on Wednesday. The same day his wife brought him food in a tin.

"Dhobi began eating food in the presence of his wife and the police, when he started getting convulsions, it was stated.

"He was taken to the Nair Hospital, where he died.

"The post-mortem report said the cause of death was 'fractured skull and subarachnoid haemorrhage, with cerebral softening and cardio-respiratory failure'.

"Dhobi's wife, Shantabai, staying in the servants' quarter in a bungalow on Mount Pleasant Road, has claimed the body."

The staff reporter, the police and the coroner together created medical history. They established a connection between a fractured skull and food poisoning! But some further investigation has elicited the information from

reluctant police sources that Jaikishan Dhobi was "a bad character" who had been caught more than once loitering in and around Raj Bhavan. On catching him this time the police gave him a thrashing — presumably to teach him a lesson. He died from head injuries sustained during the course of the lesson.

A more recent case of blatant misrepresentation of the facts by the press-police consortium has been the incidents involving the Dalit Panthers and the police during the past week. The first incident took place on the evening of January 5 at a meeting organised by the Panthers. Since the incidents at the meeting took place late in the evening, among Bombay's English newspapers of January 6, only the *Sunday Standard* managed to put in a small item stating: "The police resorted to a lathi-charge when a 5,000-strong meeting at Worli's Ambedkar Maidan suddenly turned violent after some miscreants started hurling stones at it on Saturday night." Thus, the very first paragraph of the first little news report on the Worli incidents used loaded terms like the "meeting... suddenly turned violent", without bothering to verify whether the meeting had turned violent or the police had turned violent against the meeting.

On January 7, the *Indian Express* made amends and published an eye-witness lead story by a staff reporter who was honest enough to report what he saw. The *Free Press Journal* of the same day dismissed these serious incidents as part of the usual pre-poll clashes. The *Times of India* did not appear that day ostensibly due to newsprint shortages. The next day, the *Times of India* gave prominence to the police version of events and in an attempt to appear fair stated: "It is alleged by the leaders of the scheduled castes that the police took a partisan attitude..."

But that was not to be the end of the incidents. On January 10, according to numerous observers at the scene, the police again brutally broke up a totally peaceful demonstration which had earlier been attacked by some 'mysterious' stone-throwers but had refused to be provoked. This time, the *Times of India* (January 11) did admit: "Cops beat Panthers 'mercilessly'". But the *Indian Express*, no doubt exercising self-censorship after its truthful lapses of January 7, headlined its report — "1 killed: Panthers turn violent again". The *Free Press Journal* continued to behave in a distant, patrician fashion. It began its January 11 report: "Pre-election clashes claimed their first casualty in Bombay on Thursday..." And so once again the fortunes of pressmen triumphed over the facts and a few men in the street were killed without any bother.

LETTER TO EDITOR

Atrocities on Dalit Panthers

SINCE Saturday, January 5, 1974, Bombay city has witnessed a series of clashes and violent incidents, the victims of which have been members of the Dalit Panthers, an organisation of Scheduled Castes. On January 5, a meeting called by the Dalit Panthers at Ambedkar Maidan in Worli was attacked with stones, following which the police made a lathi-charge on the participants in the meeting and arrested 19 persons. The next day, there was day-long violence in the predominantly Scheduled Caste BDD Chawls, close to the venue of the previous day's meeting. Newspaper reports suggest that the police behaved in a partisan manner, beating up and arresting a large number of Scheduled Caste persons, while taking virtually no action against those attacking the Scheduled Castes.

By Monday evening, the number of Scheduled Caste injured was nearly 200 and of those arrested well over 100. But the worst attack on the Dalit Panthers came on Thursday, January 10, when they organised a procession to protest against the partisan attitude of the police. Though the procession was attacked with stones at numerous points, the leaders of the Dalit Panthers successfully restrained the processionists from retaliating — till the police arrested the four most important leaders and followed up with a lathi-charge.

Eye-witness accounts suggest that the police beat up the Dalit youths mercilessly. According to the reporter of the *Times of India*, the police dragged some of the Panthers to the police van by their hair; others were held by policemen while constables beat them with lathis. Some of the youths were hit with rifle butts as the policemen rained abuses on them. Before the procession was finally broken up, Bhagwat Jadhav, a Dalit Panther youth, had been killed and some 40 injured and another 100 arrested.

The determination of the police to put down the Dalit Panthers, which went far beyond the requirements of law and order, was also reflected in their action in rearresting Raja Dhale, one of the Dalit Panther leaders, immediately after he had been released on bail on January 10. Similarly, Namdev Dhasal was rearrested on different charges.

Official spokesmen lose no opportunity to affirm the Government's concern over atrocities committed on Scheduled Castes by the upper castes and its determination to put an end to them. But the events of the last week in Bombay city show that the Government has sympathy and solicitousness for the Scheduled Castes only so long as they meekly accept their exploited status; once they begin to organise themselves to fight exploitation, the full force of the Government's repressive powers are turned against them.

The increase in the incidence of violence directed against them, indicated by the Government's own statistics, can hardly strengthen the Scheduled Castes' confidence in the Government's willingness and ability to protect them. In the circumstances, the only recourse left to them is to organise themselves politically. This is what the Dalit Panthers are trying to do.

The Association for Defence of Democratic Rights demands that:

(1) The Maharashtra Government take steps immediately to remove the atmosphere of terror against the Scheduled Castes in general, and the Dalit Panthers in particular, created by the events of the last week by taking action against those, policemen and others, responsible for the attacks on the Dalit Panthers.

(2) The Government withdraw all charges against the Dalit Panthers arrested on trivial and flimsy grounds — particularly, Raja Dhale, Namdeo Dhasal, Bhai Sangare, J V Pawar and Latif Khatik — and they be released forthwith.

(3) The Government respect the democratic right of the Dalit Panthers to function freely as a political organisation.

(4) The Central Government immediately order a judicial enquiry into last week's clashes and violent incidents, especially into the alleged partisan behaviour of the police.

NAVROZ MODY
Association for Defence of Democratic Rights
Bombay.

The Wizardry That's Wanted

Romesh Thapar

SO ... Indira Gandhi was compelled to cancel her visit to Bombay city, for fear that the price rise protest movement backed by trade unions of all complexion and the profound anger sparked among Harijans over the brutal attempt to crush the 'Dalit' protest in the city would cause a total breakdown of law and order. Independent observers confirm the existence of a desperate mood in this city of bursting population and bursting prices. To pretend that the change in the PM's tour programme was due to other pressures of work merely causes merriment of an unkind sort.

The breakdown of law and order has of late become a feature of city life. Opposition parties have naturally found the price rise a convenient motivation for mass action. Frustration is brimful. The Congress Party in the towns has become a symbol of a thoroughly corrupt political machine attempting to play with votes as if governance meant little else. The image of the Prime Minister herself is now of someone who heads the operation in the shadows, not of a person struggling to cleanse the corroded political process. And there doesn't seem to be anyone around who can cry halt to the spreading anarchy in the towns.

Strike follows strike in critical areas of national activity. Publicity comes to the Indian Airlines because it services the elite and because its glaring misuse of power, patronage, perks and privileges has lost it all public sympathy. Close it down, and it doesn't do any damage except to the infant tourist trade. Then, the doctors. Public sympathy is with them. Ordinary people are worried over the closure of limited medical facilities. In any case, those doctors get half of what is the take-home pay of an illiterate loader at the airport under the new rules. There follows the Life Insurance Corporation. Another messy financial operation when you study its management. Bank operations will soon show the same trend. And then the Railways punctuate the scene with what are called "unofficial, lightning strikes", although the suspicion is strong that these "hold-up" strikers are manipulated by a certain section within the Council of Ministers, that Indira Gandhi knows but does nothing about. Managers and workers in the public sector obviously seem to imagine that the assets of the public sector corporations have been transferred to them to use as they will.

Maybe, the new political style is so sophisticated that we do not understand the profound role that strikes are playing to prepare the way for the five-year plan. If we had the computers properly programmed, we would probably be doing better than the British two-days a week. Not a single calculation appears of the loss from the bandhs in Bombay. Bangalore, Gujarat, leave alone the violence and the killings. Politically, the movement from individual strike actions in urban areas to state-wide bandhs is a conscious effort to involve the countryside. It doesn't seem all that difficult judging from the way violence has swept across Gujarat.

For several months now, the Prime Minister has been wondering what can be done to halt the steady deterioration — somewhat rapid during the past few weeks! — of the nation's economic performance. Is it all that difficult to come to a package of action which would begin to restore general confidence. After all, during the worst months of last year, the people waited patiently for some partial solutions to these problems.

Is this just a question of handling the working force as some fool politicians seem to imagine? Is it a question of toughness and speed in the settlement of labour problems as some arrogant and isolated money-makers believe? Is it a question of initiatives resting with cynical union leaders interested only in politicking for their respective political parties which have no solutions to offer to any of the major problems? Is it a questoin of wrong priorities between agriculture and industry, between profit and taxation, between trade and aid, between public and private enterprise, etc, etc? Is it a question of black money becoming the dominant currency in the economy? Or is it just plain, bad, incompetent, unintelligent, corrupt and incapacitated leadership that is at the root of it all? Each theory has its adherents. Yet, the truth lies in a cocktail of many such theories.

We must be clear that the return to balanced and organised effort for a population soon to touch 600 million will be very painful for all categories. We must, however, zero in on critical grass-roots issues. And they are not as complex as the experts in the Planning Commission try to make out. Let me pin-point the simple consensus among persons who have experience of the system both from within and without. Remember, it's a simple consensus:

1 No investments except in those areas which help correct the imbalance in the present capacity of the economy to perform in as self-reliant a manner as is possible.
2 Immediate concentration on doubling the utilisation of existing industrial and agricultural capacities — and capacities to mean those which are *actual* and not those deliberately shown below installed levels. Performance today hovers around 35 per cent, despite claims to the contrary, if we put good performers and bad performers together.
3 An attack on government by committee. This is the institutionalisation of the "slow down", of directionless government. Have your committees, but establish clearly the points of decision-making, the points which will be held responsible for results.
4 Call for decisions and results on fixed dates. No excuses. Failure means the sack, a close-down, retrenchment, take-over.
5 Decisions and deadlines demand delegation of responsibility, particularly financial. Make each ministry responsible for its budget. Make each ministry delegate to its autonomous corporations. Establish a system of annual financial reviewing. Promote the doers. Sack the non-starters. Begin from the top and move down into the work force.
6 Provide one managerial power which has been denied and which has wrecked performance, particularly in the over-protected public sector — the power to hire and fire, to reward and punish. A job is a privilege in hungry India. Let it not become a means of blackmail.
7 And, legislate austerity for this society, austerity which will make the people feel that there is some justice in governance and not just black money affluence at the top.

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> The people do not ask for much, but they are sick and tired of invocations about commitment to the nation's welfare from the friends of smugglers, blackmarketeers, profiteers, fixers, gangsters and the scum of the earth. If this is the way to survive, then the people too will take this path — as they are doing in some of our leading cities.

There are a multitude of possible steps, but these seven simple points pack a punch. I often ask myself why no political group ever mobilises on such a platform. Probably, the platform is too revolutionary for the political parties we have and their dishonest involvement with the all-pervasive power and patronage of the State. We ask for wizards when the power is in our own hands.

Could it be that one day very soon our people will began a massacre of Congress election candidates. Or, maybe, just stop voting as they did in the Bombay Central parliamentary election? Not a single Harijan, in this overwhelmingly Harijan constituency, voted. Impressive. A lesson in the new *Satyagraha*. We should read the writing on the wall, as it were, even as we shuffle and re-shuffle ministries. Steel has its thirteenth Minister in ten years — or is it the twelfth? And he should have been the "Czar" of energy directly under the PM, with powers to co-ordinate and direct the ministries. But what's the use of saying so ...

The other day, an European obsessed by the oil crisis passed through Bombay and Delhi. "Well, India seems to be doing pretty well", said he, "the scene looks absolutely normal". Ironic, isn't it? Living it up on nothing. Waiting for tomorrow, probably because the astrologers, political and economic, have told us that any day now the oil will begin to flow and at prices within our reach.

What, if it doesn't? Will we claim Iran as the lost homeland of the Parsis? Quite a thought, you must admit ...

January 16

Calcutta Diary

A M

WE have been here before: The ministers almost foamed in the mouth, proclaiming to the world about the record *kharif* harvest. The Chief Ministers met in New Delhi, congratulated one another, praised the Prime Minister's leadership, and raised procurement prices across-the-board by nearly 30 per cent. Instrumentalities of the State were apparently all set ready for a gaint procurement operation. The politicians had learnt from the disaster of the preceding *rabi* season. They had now revised their strategy: they would no longer be led up the garden of vacuous ideology-mongering, no more the theme of wholesale take-over of trade; instead, in this new season, the strategy would consist of dangling high procurement prices before traders and farmers. You could almost see the smug feeling of self-contentment oozing from the pores of the minister's faces; everything was keyed up for a record procurement from out of the *kharif* crop. Trumpets rented the air. For rice, the procurement would be five million tonnes, no less; for coarse grains, for the first time, a determined effort would be made to attain a target of 1.5 million tonnes. Till as late as December, Krishi Bhavan was found to give vent to the conviction that in the case of both rice and the coarse grains, actual procurement might even exceed the targets.

But we have been here before, over and over. The effective part of the *kharif* procurement season is more than half-way through. Barely 1.8 million tonnes of rice have been procured; the purchase of coarse grains — the food of the poor — is even more dismal. The bulk of the procurement of rice has been in Punjab and Haryana, where the cereal is barely consumed and is intended mostly for export: farmers and traders in the two states were exceedingly happy with the generous increase in the procurement price, which was much higher than what the local market would have offered. In contrast, in the traditional rice-producing states, the substantial increase in the government's purchase price has not made the least difference. In most of them, procurement is even lower than last year's. On an average, market prices have risen by roughly a quarter over the year, while the procurement price has risen by one-third; the relative distance between market and procurement prices has therefore narrowed. But so what; what fool of a farmer or trader is around who would voluntarily hand over his stock to a government agency when by holding it back, and selling it to a private party, he can get a much higher rate of return, particularly since the government itself has arranged for the credit which makes such holding back of grains a costless operation?

Thus it is that while on paper the production of rice in the country has perhaps increased by close to 40 per cent during the past decade, a magnificent constancy has attached to procurement: it has always hovered around 3 million tonnes each year, until last season, when, following the nation's solemn reaffirmation of faith in the noble leadership of the Prime Minister, it suddenly dipped to 2 million tonnes. The record harvest notwithstanding, given the rate at which things are progressing, this year too, the procurement of rice is unlikely to exceed 2.5 million tonnes. Even in those near-famine years, 1965-66 and 1966-67 — it is by now almost tiresome to point out the fact — procurement was substantially more. And in the matter of coarse cereals, the less said, the better: why bother at all to procure these, how does it matter if the needs of the poor are not met? The poor are dispensable.

Procurement, in other words, is impervious to both production and prices. It is all a unilateral arrangement. You sink money in expanding irrigation facilities, you spend money to reach the farmers high-yielding seeds, you dispense funds for ensuring the supply of pesticides and insecticides, you make outlays in previous foreign exchange to import scarce fertilisers, you go slow with land reforms, you turn the other way in case any committee of innocent experts suggests a slightly higher impost on agricultural holdings, or calls for the up-to-dating of land records. You fly in the face of facts relating to actual cost of production, and fix inordinately high purchase prices for the grains. All this enables the farmers to raise production. But what for? None of the additional grain raised can be claimed for purposes of the State — for meeting the needs of the public distribution system, or for feeding the rural poor. Quite the contrary. Since you raise the level of price, an inflationary bias is introduced, and market prices adjust themselves upwards; if the wages and earnings of the rural poor fail to keep pace with this rise in market prices, distress in the countryside is intensified. Besides, since food prices are the most crucial element in the cost of living in this poor

country, the price inflation spreads everywhere. There is no apter instance of the classical precept of *kalakai-valyam*: the increase in output is only for the sake of increase, the increase in procurement price too is only for its own sake, let not anybody suggest that either phenomenon should lead to a rise in procurement, or to the furtherance of some other vulgar national goal.

We have been here before, over and over again. Thus, come next July and August, there would be another crisis in the public distribution system. With each year, as the holding power of the affluent farmers and traders goes up because of the rise in prices and the generous supplies of credit from various official sources, the market availability of foodgrains shrinks and landless labourers and small farmers, who have to buy their requirements from the market in the lean season, reels on the verge of starvation. Come next July and August, they would begin to trek to the urban areas in search of food. Another crisis would be at hand, irrespective of the size of, or the procurement from out of, the *rabi* crop. (Now that fertilisers are in short supply, there would be no lack of alibi for a failure in *rabi* procurement either. Once more, an official delegation would therefore begin to negotiate with the Russians or the Canadians or the Australians for an emergency quota of foodgrains imports. Self-sufficiency in food would begin to be interpreted in a new manner. Per capita availability may go up, but who says this increase has to be related to a diminution in the per capita dependence on imports? Under the Indian arrangement, self-sufficiency will be distinguished from *self-reliance*. We will have progressively more food produced in the country, at the same time we will continue to rely on others for maintaining our public distribution system.

Once the food is produced in the country irrespective of the level of price offered by the government, it is not impossible to appropriate a modest proportion of it, such as 10 per cent or less, for purposes of the State. But, to bring this about, you need to enforce a quality of national discipline. You have to impose a levy on the producers, the traders, the millers, the hullers, and such others, and enforce this levy. You have to cordon off areas, prevent the movement of grains across the borders of police stations or districts, deny credit to parties known to indulge in speculation, refuse to shower favours upon your partymen where they belong to entrenched interests or to the underworld. What is the point of being polite, with each year in Indira Gandhi's regime, this discipline has petered out. Where a political system has been nurtured on the basis of, and is made to depend entirely upon, spoils, it is difficult to enforce the called-for discipline, for the government is reduced to an apparatus from which all sections —, farmers and traders included — only expect favours. The moment the administration tries to extract a *quid pro quo* from those classes for whom it has been the benefactor, they revolt. The character of the Congress party, who does not know, has been transformed beyond measure in recent years. Not a trace of ideology is left in it any more. Perhaps it was always a party of graft, but never so unashamedly so. The government — the men and women belonging to the party, or supporting it from outside, have been given to understand — exists exclusively for their satisfaction. To talk of compulsory levy and other similar measures in such an atmosphere would be fantastic nonsense. Which is why procurement is left to its own devices: an instance of indicative planning *a la* France, the smart ones would say.

This need not be the case, others may argue, does not the strong stance the government adopted against the employees of the Indian Airlines belie the above proposition? The authorities have stood resolutely firm; the lock-out of the airlines employees was not lifted, and the unions were not offered the slightest concession: one can now witness the extraordinary scene of the *vast majority of the employees tamely* going back to work. But, here again, it is the class character of the employees and those ranged against them which has been crucial in government decision-making. The victims of the alleged sloth and inefficiency of the airlines workers are made up of the upper classes — businessmen and industrialists, senior civil servants, affluent professional groups. They have fumed and fretted even as the go-slow practices of the Indian Airlines employees have delayed them for hours at the airports: their schedule of engagements has been upset, they have missed their lunch or dinner dates, their wives have waited long and hard for them to return home from business trips to other cities, their children's barely month-long vacation from Doon or Woodstock or Mayo has been fouled up. Despite the obfuscation deliberately sought to be created, there are only a handful of highly paid ones in the Airlines, the bulk of the employees belong to the category of low-paid clerks, technicians and porters. By taking a firm stand against them, the government have gladdened beyond measure the hearts of its own class supporters. Now they will not have to wait for more than five minutes to get their bags, there will be no interminable waiting for flights to take off. Discipline above all, but, for eminent reasons, not a whiff of a similar enforcement of discipline is suggested when procurement lags way behind and the common people have to go without food. Kicks for the vassals and serfs, kisses and considerations for our class brethren. Waiting for the weekly bread ration is only normal and nothing to raise one's hackles: waiting for one's baggage to be unloaded from the plane is however an intolerable imposition and must be redressed *immediately. First things first.* Isn't the first principle of our Five-Year Plans, the sorting out of priorities?

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

Not by Higher Prices Alone

Hansavivek

NATIONAL NEWSPRINT AND PAPER (NEPA MILLS) has once again shown disappointing results for the year ended March last, with a lower gross profit despite higher sales. Production of newsprint was a little higher at 40,770 tonnes against 40,040 tonnes in the previous year, although it was far below the installed capacity of 67,500 tonnes. The surplus of Rs 2 lakhs was utilised to reduce the accumulated loss to Rs 80 lakhs. Equity dividend, last paid at a meagre rate of 4 per cent for 1967-68, is being once again skipped. Lower despatches notwithstanding, revenue from sale of newsprint increased because of the full year's effect of the increase in the selling price, revised from September 1971. The selling price has been further revised from October 1973 to Rs 1,500 per tonne for despatches up to the previous year's level and Rs 1,800 per tonne on increased despatches. The company is entitled to development rebate aggregating about Rs 147 lakhs, but no allocation has been made apart from Rs 23 lakhs set aside in 1968-69. There is a contingent liability of Rs 74 lakhs for higher payment of replacement cost to the forest department of MP on account of salai extracted from government forests from 1961 onwards. Also, the terms and conditions in respect of 46 additional bamboo felling areas allotted to the company for extraction of pulpwood have not been settled as yet and the additional liability, if any, has not been provided for. No provision has been made, moreover, in respect of future liability for gratuity estimated at Rs 34 lakhs.

Further loans amounting to Rs 132 lakhs were received last year to finance the expansion scheme. It is estimated that additional loan of Rs 568 lakhs would be required for completion of the expansion. The company's proposal for reorganisation of the capital structure by conversion of a part of government loan into equity is under consideration of the government of India. If sanctioned, this will reduce the interest and improve the company's profitability. The structural erection work of pulp and recovery plants is expected to be completed soon. The management hopes that these plants will be commissioned by the end of 1974. A 'letter of intent' has been issued to a Swiss firm for the supply of machinery for expansion of the caustic soda chlorine plant, and a firm order will be placed on receipt of the import licence.

USHA TELEHOIST has not yet received industrial and import licences

The Week's Companies

(Rs in Lakhs)

	Nepa Mills		Usha Telehoist		Jay Engineering		Jayant Paper	
	Latest Year 31-3-73	Last Year 31-3-72	Latest Year 30-6-73	Last Year 30-6-72	Latest Year 31-3-73	Last Year 31-3-72	Latest Year 30-6-73	Last Year 30-6-72
Paid-up capital	495	495	43	35	247	247	30	30
Reserves	39	65	63	60	127	137	33	30
Borrowings	777	750	98	77	662	596	21	14
of which Term borrowings	760	739	37	36	18	28	12	8
Gross fixed assets	1226	1216	133	126	831	778	109	92
Net fixed assets	632	666	109	105	273	260	57	46
Investments	—	—	1	1	5	5	—	—
Current liabilities	133	90	37	39	319	374	44	32
Current assets	240	195	132	104	1079	1091	71	59
Stocks	199	154	82	81	463	472	31	19
Book debts	26	29	43	22	588	594	37	31
Net sales	557	510	142	115	1782	1884	127	127
Other income	4	3	2	1	73	58	—	—
Raw material costs	127	88	57	36	880	817	57	53
Wages	92	83	30	26	484	454	10	10
Interest	23	20	11	8	65	59	2	1
Gross profit (+)/loss(—)	56	64	9	13	90	105	20	23
Depreciation provision	46	60	7	5	41	39	6	7
Tax provision	—	—	—	—	34	56	8	8
Net profit(+)/loss(—)	10	4	2	8	15	30	6	8
Development rebate provision	—	—	1	2	3	6	—	2
Transfer to reserves	—	—	—	2	—9	—1	2	2
Dividend								
Amount	—	—	P 1 E 3	1 3	P 5 E 16	5 20	E 4	4
Rate (per cent)	—	—	P9.50 E 8	9.50 10	P 10 E 8	10 10	E 12	12
Cover (*times*)	—	—	—	1.66	0.44	0.95	1.50	1.50
Ratios (per cent)								
Gross profit/sales	10.05	12.50	6.34	11.23	5.05	5.57	15.75	18.11
Net profit/capital employed	0.76	0.30	0.98	4.65	1.44	3.06	7.14	10.81
Inventories/sales	35.72	30.20	57.74	70.43	26.00	25.05	24.41	15.00
Wages/sales	16.51	16.27	21.12	22.60	27.16	24.09	7.86	7.86

for manufacture of load luggers, despite various representations made to government. The company is finalising a collaboration agreement with Telehoist of UK for manufacture of automatic chassis lubricating systems. A collaboration agreement with that firm has been executed for expanding the manufacturing range and capacity of hydraulic tipping gears, for which too industrial and import licences are awaited. The management is also considering a project for manufacture of backhoe attachment and front end loaders, steel and aluminium bodies for dumpers, placers and tippers. A collaboration agreement has been entered into with Plessey of the UK for expanding the capacity of hydraulic pumps and valves from 20,000 to 80,000 units and of valves from 10,000 to 60,000 units. Orders for imported plant and equipment required for the magneto and electrical contact projects have been placed. The directors expect trial runs early next year. The company has secured substantial orders from the Defence department and is striving to boost domestic sales by diversifying production and catering to the special requirements of major customers directly. The management expects better results in the current year. Last year, the company's sales were higher mainly on account of exports aggregating Rs 33 lakhs to Yugoslavia at a "very competitive price". Profit margins fell sharply also owing to increase in costs. Dividend was reduced by two points to 8 per cent, which too was paid out of the past reserves. The company is seeking increase in import subsidy.

JAY ENGINEERING experienced contraction of margins owing to increase in costs and increasing industrial unrest. The fan units operated satisfactorily, but the sewing machine unit at Calcutta continues to pose a problem. It underwent another year of loss. Because of its high cost structure, industrial unrest and increasing competition from the low-cost unorganised sector, the prospects for this unit continue to be "unpromising". Operations of Usha Sri Lanka have proceeded satisfactorily, subject to constraints of the foreign exchange shortage in that country. The workers of the sewing machine unit at Calcutta went on a lightning strike, resulting in a long shut-down of both units in Calcutta during the current year. The factories resumed work in September last after a six-month long shut-down. While trying to make up for the time lost on account of the strike, the management feels that its effects will be reflected in this year's results. The auditors have commented that they could not audit books of accounts pertaining to the West Bengal sales unit on account of strike and picketing there.

Meanwhile, the 1972-73 accounts of the company reveal a sharp fall in net profit, with the result that the major portion of the equity dividend, reduced by 2 per cent to 8 per cent, is short-earned. Unprovided gratuity liability upto the end of 1969-70 came to Rs 53 lakhs. Contingent liabilities not provided for on account of income-tax, sales-tax, corporation tax, etc, amounted to Rs 71 lakhs.

JAYANT PAPER is going ahead with expansion of capacity from 6,720 tonnes to 15,720 tonnes per annum. Orders for indigenous plant and machinery have been placed and licences for import of components and equipment are being obtained. The project is expected to be completed by the end of 1974. GIIC has sanctioned a loan of Rs 18 lakhs and GSFC Rs 20 lakhs for the expansion. The company may need further finance for the expansion. Therefore, the directors' borrowing powers have been stepped up from Rs 30 lakhs to a crore of rupees. During the year to June last, Jayant's production was slightly lower at 6,879 tonnes against 6,916 tonnes in the previous year, but net sales were unchanged at Rs 127 lakhs. Margins shrank and gross profit was lower than in the year before. Borrowings increased and the ratio of inventories/sales showed considerable rise over the year. Dividend was maintained at 15 per cent. The company has been permitted to issue bonus shares on a one-for-three basis by capitalising about Rs 10 lakhs out of the general reserve. These shares will participate in the dividend from the current financial year.

SAYAJI MILLS sold its undertaking 'Sayaji Mills Number one' alongwith its current assets to Shree Keshariya Investment, a nominee of Alok Prakash Jain. The company says that the purchaser, after the registration of the conveyance on May 26 last, wrongfully withheld account books and other records pertaining to the undertaking in question which were within its premises and were kept in trunks duly locked and were to be delivered to Amratlal Hargovandas, a sole arbitrator appointed by parties under the agreement to sell dated October 8, 1972. The company's secretary has filed a criminal complaint against three officers of the purchaser Shree Keshariya Investment in the court of the Judicial Magistrate, Baroda, and the company has filed a suit in the City Civil Court at Ahmedabad. In the absence of the account books and other records of one of its units, the company is not in a position to prepare the accounts for the year ended March 1973 and lay them before the annual general meeting. The meeting, however, has been called on December 29 to consider, among other things, the directors' report and to adjourn it, in the first instance, to June 29 next. The directors will give the usual 21 days' notice to convene the adjourned meeting if they are able to lay the accounts and the auditors' report thereon before the aforesaid date. The company has three other units, namely, 'Maize Products', Kathwada, Tapioca Products (Chalakudi) and Sayaji Mills Number Two (Bombay).

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

OBJECT OF REGISTRATION :

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.

BENEFITS OF REGISTRATION :

Firms registered with DGS&D enjoy the following benefits:-

i) Demands which are not advertised are met from registered firms.
ii) In case of advertised demands, copies of the notice are sent to registered firms, giving them advance information of the demands.
iii) Rate Contracts and Running Contracts are normally reserved for registered firms.
iv) Operational demands are normally reserved for supply by registered firms.
v) Normally 80 per cent of the quantity against Express and Urgent demands is reserved for supply by registered firms. Even ordinary demands are mostly covered from registered suppliers.
vi) The State Governments and Public Undertakings may at their discretion waive the requirements of Security Deposit from firms registered with D.G.S.&D.
vii) Registration with D.G.S&D. raises the firms' status in business, not only with Government Departments but also with foreign firms and establishments.

APPLICATION FORM :

All firms in India and in foreign countries are eligible for registration. The application must be made to DGS&D, New Delhi in the prescribed application form. Firms in USA and Canada may purchase the form at $5/- from India Supply Mission, Washington. Foreign firms in other countries are supplied forms free of cost by DGS&D, New Delhi. Indian firms may purchase application form from DGS&D, New Delhi or Director of Supplies & Disposals, Bombay/Calcutta/Madras/Kanpur on payment of Re 1/- either at the counter or by Money Order. Application for registration in the prescribed form should be submitted along with a Treasury Challan for Rs 10/- indicating the Revenue Head of Account "XX-Supplies & Disposals". Form of application for renewal of registration will be issued free of any initial charge on request. Application for renewal of registration should, however, be accompanied by a Treasury Challan for Rs 10/- as mentioned above. Application forms are issued free of cost for initial registration as well as for renewal to Small Scale/Cottage Industry Units on production of certificates by the firms from the State Director of Industries or the NSIC authorities to the effect that the Units are registered with them as bonafide Small Scale/Cottage Industry Units. Such Units are also not required to forward necessary Challans for Rs 10/-.

CATEGORIES OF REGISTRATION :

(1) Manufacturers.
(2) Sole Selling Agents/Sole Distributors of Manufacturers registered.
(3) Stockists (a) of imported stores
(b) of indigenous stores such as Timber, Hides & Skins and Cotton Waste.
(4) (i) Foreign firms who are manufacturers; and
(ii) Accredited Agents in India of foreign firms registered.

It pays to get registered as approved supplier with the Directorate-General of Supplies and Disposals.

davp 73/129

FROM OUR CORRESPONDENTS

BOMBAY

Attack on Dalit Panthers

IT is still not very clear why the Maharashtra government chose this particular moment for cracking down on the Dalit Panthers; but about the fact of the crack-down itself there is no room for doubt. Beginning with the public meeting organised by the Dalit Panthers on January 5, at the Ambedkar Maidan near the predominantly scheduled caste BDD Chawls in the Worli area of Bombay, the *modus operandi* of the police has been fairly clear: to wait, as if on cue, for the Panthers' meetings and processions to be attacked with stones, soda-water bottles, etc, by outsiders and then to pounce on those in the meetings and processions with lathis and tear-gas shells. This technique was most clearly evident in the police handling of the meeting on January 5 and the procession on January 10. It is, therefore, useful to describe these two events in some detail. The description that follows is based on eye-witness accounts.

The Worli meeting — together with another at Naigaum, which the police did not permit to be held — had been announced by the Dalit Panthers, among other things, for publicising their decision to boycott the by-election to the Lok Sabha from the Central Bombay constituency. For the Dalit Panthers, the decision to boycott the election was a major political step, reflecting as it did the progressive crystallisation of their attitude to the different political parties and to the system of elections itself. The day before the meeting, the BPCC had issued a press statement claiming that, among other parties and organisations, the Dalit Panthers had extended support to the Congress candidate. This misleading statement by the BPCC lent added significance to the Dalit Panthers' Worli meeting.

All the speakers at the meeting, which was attended by about 12,000 people, focused attention on the decision to boycott the elections. Referring individually to each of the established parties, they explained how none of them could be expected to tackle the problems of the scheduled castes or the 'dalits'. Even the communist parties were not spared; these too had failed to identify themselves with the masses. The communist parties had been trying to achieve revolutionary objectives through petty struggles and agitations centred around economic demands. Referring to the electoral system, it was pointed out how, so long as political parties remained concerned with winning elections, they would have to continue pandering to caste distinctions in order to secure bloc votes in their favour.

It has been alleged that the speeches made at the meeting had strong communal overtones and were likely to offend the non-scheduled castes. In fact, about the only reference to religion was when one of the speakers referred to the claims of parties like the Jan Sangh and Shiv Sena about hoisting the 'bhagwa' flag on Parliament House in New Delhi and asked caustically if these parties really thought that Parliament was a 'bhajan mandali'.

The first stone attack on the meeting came almost as soon as Raja Dhale, president of the Dalit Panthers, began to speak. However, Dhale with the help of other leaders, was able to quieten the crowd and it looked as if the meeting would be able to continue. Resuming his speech, Dhale asked the policemen present to find out who had been responsible for the stone-throwing and to protect the meeting from such attacks, instead of milling around the stage. The stone-throwing was, however, resumed in a few minutes, with much greater force this time. Once again, instead of apprehending those responsible for the attack on the meeting, the police with their lathis and and batons tried to push the crowd in the opposite direction, towards the chawls largely occupied by scheduled

castes. At the same time, a number of police vans and jeeps moved from the place of the meeting to encircle the chawls towards which the people from the meeting were being driven. The people were thus sandwiched between the policemen behind them and other policemen encircling the chawls. In the ensuing confusion, policemen used their lathis freely both on those from the meeting as well as on the inmates of the chawls, allegedly entering the chawls and beating up those inside and smashing utensils, etc.

Raja Dhale and other Dalit Panther leaders went round the chawls, trying to quieten the people and persuading them to disperse. The women from the chawls decided to take a morcha to the nearby police station to protest against the police behaviour. The morcha was soon attacked with stones and one of the women was injured. It was then decided to take out a procession of all the people present to the police station. The police stopped the morcha and allowed only a few leaders to go to the police station. There the leaders were asked to tell the procession to disperse. The crowd dispersed after a few short speeches by the leaders.

As the leaders themselves were preparing to leave the area, stone-throwing started again forcing them to hurriedly take shelter in some of the chawls. They were followed into the chawls by the police and a senior police official ordered Raja Dhale to go away immediately. Dhale tried to point out that it was impossible for him, or anyone else, to leave because of the heavy stone-throwing. Upon this, the police officer is alleged to have pushed Dhale, who was seized and beaten by other policemen as a result of which he sustained a bleeding head-wound. Other leaders present were similarly beaten. All the injured were then put into a police van and taken to hospital. After their wounds had been treated, they were told that they were all under arrest.

In the meanwhile, stone-throwing at the scheduled caste chawls continued. One of the chawls, No 54, which is occupied by scheduled castes and is surrounded by non-scheduled caste tenements, was particularly singled out for attack. However, because of the police bandobust, scheduled castes from the other chawls were prevented from going to the rescue of the residents of Chawl 54.

The objective of restraining the scheduled castes while those attacking them were more or less left free was achieved again the next day when Section 144 was clamped down on one part of the BDD Chawls, inhabited mostly by scheduled castes. While the scheduled castes were, as a result, immobilised and prevented from coming out of their chawls, the police made no comparable effort to curb those who were attacking them.

A similar sequence of events was repeated at the morcha organised by the Dalit Panthers on January 10 to demand the release of Raja Dhale and the withdrawal of cases against other leaders and to publicise the boycott of the election. The morcha started from the venue, in Naigaum, of the proposed public meeting which the police had not allowed to be held. Though those going to join the morcha were subjected to stone-throwing at Dadar station and at Naigaum, the procession proceeded peacefully to Ambedkar Road. Four prominent leaders — Namdeo Dhasal, Bhai Sangare, Avinash Mahtekar and J V Pavar — joined the morcha at different points on the way.

After crossing Parel Tram Terminus, the morcha neared Krishna Nagar, a Shiv Sena stronghold. At this point it was attacked with stones and soda water bottles. The leaders, however, managed to keep the procession quiet and under control. However, as the procession reached Lakshmi Cottage, it was attacked from the other side as well. The central part of the morcha was worst hit. At this point the police brought their vans to the centre of the morcha, splitting it into two. The police lathi-charged the rear part of the morcha and dispersed it.

The front half continued to move forward till it came under heavy attack near Aimai Lane where a large mob had assembled. At the head of the procession were about 500 to 600 women. Caught between the police at the back and the attacking mob these women began to run towards Aimai Lane. Some men from the procession threw a cordon around the women to protect them. Bhagwat Jadhav was one of these men. He was killed by a tile thrown from the terrace of one of the buildings. The morcha was soon stopped by a double line of armed policemen. The policemen fired tear gas shells and started a lathi-charge at the back. Simultaneously the leaders of the procession were arrested and quietly whisked away in a police van. After this, it did not take long for the procession to scatter.

What stands out as an astonishing fact is that though it was the Dalit Panthers who were repeatedly attacked — at the January 5 public meeting, in the BDD chawls thereafter, at the January-10 morcha — resulting in Bhagwat Jadhav's death and injuries to scores of others, the police directed their actions almost entirely at them. Similarly, almost all those arrested are Dalit Panthers. The police have further tried their best to keep the Dalit Panther leaders under arrest — rearresting them on another charge as soon as they are released on bail on one charge.

The question of the Maharashtra government's reasons for acting against the Dalit Panthers at this particular moment remains to be answered. It is clear that the violence directed against the Panthers adversely affected the fortunes of the Congress candidate in the Lok Sabha by-election. It is likely, however, that the government is taking a longer-term view of things. In this context, two facts need to be taken into account.

First, the Dalit Panthers has been gaining strength as an organisation of the scheduled castes in different parts of Maharashtra. In Bombay, they have begun to build a regular organisation with ward-wise units. Their leaders have also been combing the scheduled caste areas of the city, holding sometimes as many as six or seven street-corner meetings in a day.

Second, there has been a change in the political orientation of the organisation and its leaders. It may be true that in the procession taken out to mourn his death, Bhagwat Jadhav's photograph was placed between pictures of Buddha and Ambedkar; but the Panthers have been gradually laying emphasis on the economic and class origins of the persecution and exploitation of the scheduled castes. While they continue to defend the rationale of Ambedkar's call for conversion to Buddhism, they are realising that mere change of religion will not change the facts of the scheduled castes' economic and social status; for that, a change of economic and political institutions is necessary. The speeches of their leaders, as well as their first published manifesto, released last year, reflect this change. It is also seen in their analysis of the other parties and their boycott of the Bombay by-election. An even more pointed indication of the change has been their decision to support the current strike of Bombay's textile workers organised by the Leftist trade unions. All these are still stray straws in the wind; but the Maharashtra government has perhaps decided not to take any chances.

NAXALITES

Strained Mercy

AFTER keeping the issue pending for three years, the Union Cabinet decided last month to commute the death sentence on Nagabushan Patnaik into imprisonment for life. A young Naxalite leader of Orissa, Patnaik had been charged with murder, arising out of a guerilla squad action of the Communist Party of India (Marxist-Leninist) in Visakhapatnam district of Andhra Pradesh. Though a lawyer by training, he had refused to participate in the trial or defend himself or go in appeal against the death sentence. He also refused to plead for mercy, though scores of MPs, several MLAs, his aged father, his wife and several well-wishers, including Jaya Prakash Narayan, had pleaded for the commutation of the death sentence on him. In view of this mobilisation of public opinion, the government did not want to go ahead and execute him. Yet it hesitated to commute the death sentence. So Patnaik was kept in the 'death row' of the Visakhapatnam central jail for over three years. In the meanwhile, he fell seriously ill and was denied medical facilities. A plea for his transfer to a city with better medical facilities was rejected. Patnaik is also standing trial in the Parvatipuram conspiracy case. The hearing in the case had to be adjourned for two months because he was ill and had to undergo a major operation.

Psychological Pressure

Had Patnaik been executed, an unprecedented situation would have been created. The government could not have honestly claimed that the due process of law had been gone through because the decision to execute him would have been an *ex parte* one. If only Patnaik had addressed a one-sentence letter pleading for mercy, so that the sentence on him could be commuted, the government would have been able to save its face. The consistently hard line of the Andhra Pradesh government and the Centre in the matter, even as anxious Sarvodaya leaders of Orissa including Nabakrushna Chowdhury and Ratan Das were tirelessly campaigning to save Patnaik's life, indicated that the authorities were hoping that Patnaik would give in under psychological pressure. The authorities had repeatedly drawn attention to Patnaik's refusal to plead for mercy as the justification for not commuting the death sentence on him. However, a few weeks before the decision in Patnaik's case was taken, the Tamil Nadu Governor commuted the sentence on another Naxalite leader, Kaliaperumal, on a petition from his wife. Kaliaperumal himself had not pleaded for mercy.

The government's concern for the letter of Anglo-Saxon jurisprudence in insisting on a mercy petition by Patnaik before commuting the death sentence on him fits in ill with the complete travesty of justice in dealing with most Naxalite prisoners. Thus it has not hesitated to stoop to low tricks to deny them the services of lawyers. Asoke Das, charged with murder, and an 'undertrial prisoner' in one of West Bengal's prisons, wrote to a lawyer seeking his services. The letter reached the lawyer 45 days later! In the meantime, Das was sentenced to death by the Sessions Court. Similarly, a letter from Panchu Pramanik, another 'undertrial', was deliberately delayed by officials until after the hearing in his case had concluded.

Deceitful Benediction

The law, it is true, requires the government to arrange for legal defence for those who cannot do so on their own. But this is a deceitful benediction because the lawyers chosen by the government are rarely competent to handle serious cases such as those against the Naxalites, especially when the most competent lawyers are engaged for the prosecution.

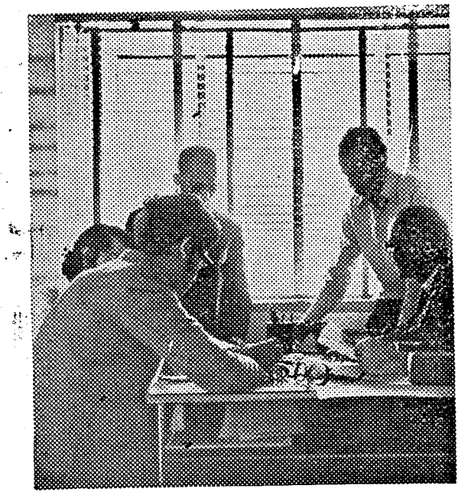
About 25,000 Naxalites pack India's prisons today. Since there is no distinction between political undertrials and other prisoners, no precise estimate is possible and the authorities can keep denying the existence of political prisoners on such a large scale. Next to Indonesia and Chile, India probably has the largest number of communist prisoners in the world. A large number of these prisoners have been in custody since 1968. Undertrials often spend six to eight years in prison without being brought to trial. If they are lucky to be brought up for trial, the hearings are put off on the flimsiest pretexts and the trial drags on endlessly. Prisoners ordered to be released, when the charges against them fail, are rearrested within the premises of the courts, on new, fabricated charges. Some of the Naxalite prisoners have been charged with five or six separate offences at a time and the expenses involved in engaging lawyers for so many cases at a time are prohibitive.

When the government finds that charges against a prisoner cannot be proved, he is brought under one of the several preventive detention laws — the Maintenance of Internal Security Act (MISA) and preventive detention laws of the state governments and the Defence of India Rules. The recent Supreme Court ruling involving the MISA underlines the draconian nature of the law. Those detained under the MISA can be held for 12 months or as long as the Defence of India Rules are in existence; in other words, the government can prolong the State of Emergency for years and keep MISA prisoners in continued detention.

Held on Short Leash

Different states have handled the man-hunt against the Naxalites differently. While the West Bengal government, for instance, has shown a predilection for rough and ready tactics, including recourse to the notorious Prevention of Violent Activities Act and the MISA, the Andhra Pradesh government has managed things more subtly. It has been freely resorting to the conspiracy provisions of the Indian Penal Code. Once brought under a conspiracy charge, the government's political opponents can be held on a short leash. The Nagi Reddy conspiracy case, as it came to be known, took over three years after which those sentenced were given conditional bail pending appeal. They cannot travel outside their areas (usually the city or town known to be their normal residence) without special permission. In the Parvatipuram conspiracy case, which relates to the Srikakulam peasant movement of 1968-70, several accused have been in prison since 1969 and the trial has hardly begun. The trial, which involves 1,020 witnesses, 19 volumes of printed evidence, 2,500 pages of cyclostyled documents, and 68 accused, will drag on for years and even if some of the accused are given bail, they can be kept under strict watch and control.

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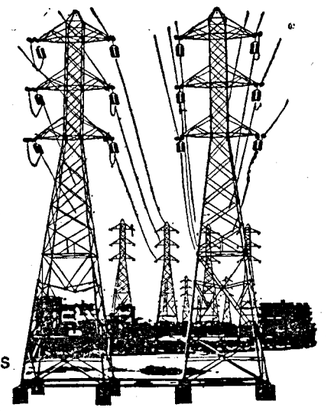
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Plugging the Leaks

THE Punjab government started the New Year with an all-out bid to augment its revenues. This it tried to do by seeking the co-operation of the neighbouring states to plug a leak in its sales-tax revenues and by pressing its claim for an equitable share of development finance from commercial banks.

Addressing the Regional Consultative Committee of nationalised banks on January 2, the State Finance Minister, Hans Raj Sharma, urged the banks to expand credit facilities, particularly in the rural areas, and to grant financial help to official and semi-official organisations. While the newly-established bank branches in the state have succeeded to some extent in mopping up savings, they have not made much headway in providing credit to small and medium farmers, artisans, petty shopkeepers and new entrepreneurs. Many potential borrowers belonging to these categories are not in a position to offer tangible assets as security, nor can they afford to pay the banks' normal, commercial rates of interest. Besides, farmers with holdings of less than 10 acres are not eligible for tractor or tubewell loans which keeps bank assistance out of the reach of about 60 per cent of Punjab's farmers who have holdings of less than 10 acres.

The Punjab Finance Minister has reiterated the plea, made by the state government in July 1972, for a much larger share of the deposits collected by bank branches in the state. The percentage of advances to deposits mobilised by commercial banks in the state is hardly 30 per cent. This gives rise to the persistent complaint of Punjab (and also Haryana) that scheduled banks are diverting crores of rupees from this region for investment in industrially advanced states like Maharashtra, Gujarat and Tamil Nadu. Commercial banks have admitted to such diversion of funds, though they have denied that it is part of a deliberate policy. This takes place, according to them, because of the better opportunities for use of funds outside the region. In August 1972, the Punjab Finance Mnister had stated, after discussion with the banks, that the banks had agreed to invest within the state 50 per cent of the deposits mobilised in Punjab. However, in the last 18 months very little improvement has been noticed in this regard.

On December 31, 1970, the number of banking offices per thousand kilometres of area was 13 in Punjab, next to Kerala which led with 23. Punjab also stood high in respect of the number of banking offices per lakh of population, with an average of 5, on par with Maharashtra and Mysore and only just behind Gujarat with 6, the highest in the country. As for per capita bank credit, Punjab was way behind with an average of Rs 72.2 against Maharashtra's Rs 262.4, West Bengal's Rs 176.6 and Gujarat's and Tamil Nadu's Rs 113. Some progress has been made since then, but there is much leeway to be made up. Incidentally, the Chandigarh union territory was far ahead of all other states and union territories with an average of Rs 2,022.6, but its economy stands in a class apart.

Another Punjab Minister has focused attention on the drain of sales-tax revenue. Revenue from this source constitutes 22 per cent of the state's total revenues. But in the absence of uniform rates in contiguous states, Punjab has been losing revenue from this source through the transfer of some business centres to Delhi, where the tax rate is much lower, and through smuggling which continues to be an increasingly prosperous business. The difference in tax rates explains, for instance, the recent shifting of the dry fruits business from Amritsar to Delhi. While Punjab levies 3 per cent sales tax on dry fruit, Delhi levies no tax at all. Truck and bus body building has been for years a flourishing industry in Punjab towns, but while the tax on it as well as on electric motors, foodgrains and kerosene is 10 per cent, Delhi collects only 5 per cent. On foodgrain sales, Punjab imposes a 3 per cent levy, while Delhi has no such impost. There are other discrepancies too which affect Punjab adversely. Punjab is, therefore, among the strong advocates of a uniform sales tax.

Haryana has supported Punjab's stand on almost every issue of common interest. At a meeting of the co-ordination committee of the state's commercial banks held at Chandigarh, it was decided that more loans would henceforth be given to artisans and other small entrepreneurs in the countryside, including carpenters, shoemakers and rickshaw-pullers. The banks also promised liberal loans to boost dairy development which has a bright future in the state. Chief Minister Bansi Lal envisages a 50 per cent increase in the present population of 9 lakh buffaloes as part of a "white revolution" in the near future. The state government is also considering measures to check the drain of the much-coveted milch cattle from Haryana to Bombay, Calcutta, Delhi and other places where they fetch fancy prices.

As in Punjab, only a part of the funds mobilised in Haryana by the banks is being invested in the state. In sales-tax also, Haryana has been losing Rs 7 to 10 crores annually since goods are being diverted for disposal in Delhi in view of the lower tax rates there.

But even more than Punjab and Haryana, Himachal Pradesh needs substantial funds for development. The state government has been urging banks to grant liberal loans on easy terms to poor farmers, especially for plantations and expansion of orchards — the most fruitful avenues of investment in this hilly region. Like the Punjab Finance Minister, who has asked banks to conduct techno-economic surveys to identify so-called credit gaps, the Himachal Chief Minister has urged the establishment of a consultancy corporation in the state to undertake feasibility studies, assess the industrial potential and provide assistance to entrepreneurs. Himachal Pradesh has scored a major success in its quest for institutional finance by persuading the World Bank to launch a four-year horticulture project in the apple-growing belt. The Bank's assistance will be available for streamlining the production, transport and marketing of apples.

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BANGKOK

Preparing for Democracy

Harish Chandola

NEITHER the popularity of the King and the caretaker government nor the prospect of an elected government is the solution to Thailand's problems. They do, however, provide favourable conditions for creating political consciousness among the people and organising them politically.

Thailand was under absolute monarchy until 1932 and after that has been ruled by military dictatorships. There was practically no freedom of political association and all genuine political activity was suppressed. The people had no choice but to quietly suffer at the hands of whosoever ascended to power, through faction fights, foreign support and intrigues.

The formation of an elected government later this year is not going to end this situation. The level of political consciousness among the peasants, who form the overwhelming majority of the population, is low. The primary task is, therefore, to raise the level of consciousness of the peasants so that in the coming elections they are able to choose persons who will care for the interests of the people they represent in the new parliament and the new government.

It is this issue of politically educating the people which has caused a split in the ranks of the student movement, which overthrew the military government last October and created the conditions for the holding of elections and the formation of a democratic government. Some prominent office-bearers of the National Student Centre of Thailand (NSCT) think that the formation of a popular government is an end in itself. They believe that if the elected government provides rice at a reasonable price by eradicating blackmarketing and profiteering, if it acts in a just manner and if it is not corrupt, then most of Thailand's problems would be solved. This group of student leaders thinks that the task before the NSCT, therefore, is to get involved in organising the elections and contesting them. Another group of student leaders feels that if the students think only of forming a government they will be taking a very short-term view of their role. Their first task should be to politicise the people, particularly those in the rural areas. A people who are not politically conscious can be duped by those who might talk and act in the name of democracy but who in reality might only be concerned with safeguarding their own positions obtained through elections. This is not an imaginary fear. In a number of countries parliamentary democracies have turned into dictatorships.

This politically-enlightened group of students, therefore, does not want to get involved in either organising the coming elections or contesting them. Its members want to go out to the rural areas to educate and organise the peasants politically so that they can in course of time become the most decisive political force in the country. Such students are now forming many small groups. Each group is to be led by a student who has direct connections with villages (whose family or near relations might be living in a village). During the three-month vacation beginning in February, these groups will visit the areas with which they have connections to explain to the people the role that they should play during the elections and afterwards if the elected government ignores their needs.

Since most villagers in Thailand are illiterate, the student groups are now working out methods of communicating with them on political matters. They are preparing posters, photographs, pictures and other visual aids to explain matters simply and directly to the people, and some are thinking of making short films to emphasise the need for political organisations in the new situation.

There are other students who have chosen to work in the cities and towns, with the same aim of mobilising the people for the new situation. Two organisations have been formed for that purpose. One, called People for Democracy, was formed by the group of 100, of whom 13 had been arrested, who had signed the petition presented to the ousted military government demanding a constitution. It was for the release of these 13 persons that the students had held massive demonstrations in the middle of October last resulting in the collapse of the military dictatorship. The other organisation is called the Civil Liberties Union, and has among its members university teachers, representatives of the army, the police and the civil service, housewives, lawyers, doctors and people from other professions. This organisation is campaigning for the restoration of civil liberties.

Both organisations were formed towards the end of November. They propose to co-operate with each other in organising the people in the urban areas and educating them about their responsibilities in electing representatives to Parliament and in ensuring that political power remains in the hands of the people and is not again usurped by a handful of persons.

The army is still the most organised and powerful force in Thailand. It can, if it decides to, stage a coup and resume power. But this will mean bloodshed and a civil war. Nobody has the courage to plunge the country into that just now. Besides, right now the army is in a very weak position, morally. The three top army leaders who fled the country last October were so selfish and corrupt and so intensely disliked by the people that none in the Thai army hierarchy now dares to say that he was an associate of theirs. In fact, the Thai army is at the moment engaged in changing its image. Its leaders are saying that the army as a whole is not corrupt; that by and large it is nationalistic and has no desire to rule by suppressing the people. The new head of the Thai armed forces, General Kris Sivara, has affirmed that the army will now stay in the barracks and act according to the instructions of the political leadership.

It will be difficult for the armed forces to suddenly change their position and organise a coup and resume power. This would not, however, prevent the army from attempting a political takeover in the future, if the politicians who came to power turned out to be unpopular. The crucial question at the moment is: could another political force be created in Thailand in the meantime, before the army thinks of asserting itself again politically?

Such a force does not exist today. There are, however, minor political forces, like the students, the emerging organisations of workers, the prestige and popularity of the King, the intellectuals who desire civil liberties, etc. Could these forces, which are all opposed to a return to military rule, form a united front while the people organise themselves politically?

Cost-Benefit of Rupee Trade

Nandita Pant

India's Trade with East Europe by Sumitra Chishti; Indian Institute of Foreign Trade, New Delhi, 1973; pp xiii + 118; Rs 11.

THIS is the second booklet in the IIFT series evaluating the cost-benefit of India's trade with the East European countries. Despite the claim made in the foreword that the first booklet, published five years ago, was "highly appreciated", it was a rather poor attempt compared to the present study. The present study has extended the earlier analysis and examined some of the issues in greater detail, though still not always in depth.

The study attempts to examine in detail four 'fundamental' issues pertaining to India's trade with Eastern Europe, *viz*, growth of trade, composition of trade, trade diversion and terms of trade. Even a cursory reading of the booklet would indicate that the first two issues are most perfunctorily dealt with. Similarly, pp 23-31 dealing with the 'theoretical' exposition of the 'gains' from trade with centrally planned economies is more or less a restatement of the analysis given in the earlier booklet. Chapter III dealing with India's overall trade with the world is not sufficiently integrated with the theme of the book. Chapter IV provides a very unsatisfactory analysis of the pattern of India's trade with Eastern Europe.

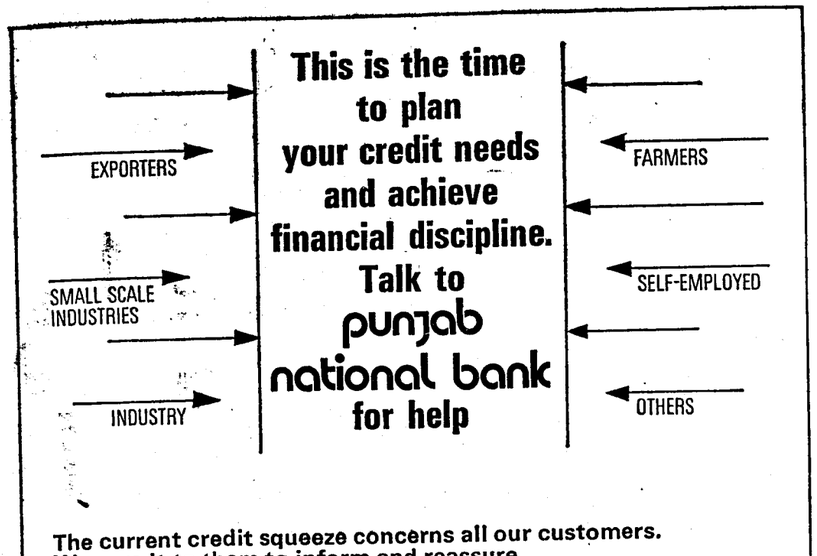
Among the East European countries, the USSR stands on a different footing from its other COMECON partners in respect of its trade and economic relationship with India — as it does in regard to its political relationship as the major supplier of defence material. Some of the problems in our trade with the other East European countries, such as switch-trade, do not affect our trade with the USSR. Further, the USSR has shown considerable willingness to adjust its imports from India in such a way that, as far as possible, it purchases goods of which the country has exportable surpluses and the purchase of which by the USSR would not deprive India of the possibility of earning free foreign exchange. Finally, expansion of India's trade with the USSR in the last ten years has been to a large extent due to the large-scale imports of defence equipment from that country. In view of these major considerations, an analysis of the pattern of India's trade with Eastern Europe makes sense only when India's trade with the USSR is discussed separately, instead of all the East European countries being clubbed together, as the author has done.

The discussion of trade diversion and switch-trade forms the relatively more useful portion of the book, though it suffers from some obvious shortcomings. The analysis used by the author for examining the possibility of trade diversion and switch-trade in respect of a given commodity takes into account its domestic production, aggregate exports, exports to Eastern Europe and exports to the rest of the world. If Eastern Europe as a whole buys an unusually large quantity of a commodity in a given year, it is inferred that the larger purchases were possibly for switch-trade. Though this is not a wholly satisfactory method, there is no foolproof way for a research worker to prove that switch-trade has actually taken place. The author should have, however, supplemented this analysis by probing a little more into the imports by the Western countries of these commodities from East Europe. Fairly detailed import-export data are available for a number of Western countries. If scrutiny of this data reveals imports of such items as coffee, oilcakes and coir products from East Europe, it is an indication of the possibility of switch-trade. It may be noted that even when goods are diverted on the high seas, the importing Western countries record it as an import from the relevant East European country which has transferred these goods to them or the country from whose port the goods are diverted.

The author has, surprisingly, failed to draw upon the extensive, and at times heated, discussions that have taken place at frequent intervals on this subject in Parliament. Nor does she show any awareness of the controversial official report on leakages of foreign exchange which has devoted a whole chapter to switch-trade and has affirmed that such trade is taking place on an appreciable scale. It is difficult to understand why the author chooses to be so guarded on this subject when this official report, published about two years ago, is categorical about the existence of switch-trade.

The discussion of unit values of exports and imports attempts to examine whether unit values realised in respect of trade with Eastern Europe are relatively unfavourable to this country as compared with those realised on trade with the rest of the world. It should be kept in mind that unit value comparisons often lead to misleading conclusions because of the deficiencies of the recorded foreign trade data. Since goods actually traded in do not fully conform to the standardised code of trade classification — however detailed this classification —, even a seven-digit commodity code would encompass a group of heterogeneous or differentiated commodities. This holds for even primary commodities like tea, coffee and cashew kernels and is bound to be much more so in respect of manufactured goods, especially those belonging to Sections 6, 7 and 8 of the Indian Trade Classification (which is based on the Standard International Trade Classification). For instance, alloy steels that are included in a single seven digit code of 6732100 comprise different types of alloy steels with a wide range of price difference. The author shows awareness of this problem (p 58) and, though she bases unit value comparisons on unhelpful trade data, she does not hesitate to explain unit value differences in terms of commodity heterogeneity or quality differences which the trade data do not reflect.

The author has constructed export-import unit value indices for India's trade with the East European countries and with rest of the world and has used them to assess "gains" from trade through relative movements of terms of trade. However, as expected, the terms of trade indices do not help much in arriving at meaningful conclusions about gains from trade. The terms of trade index is a crude tool of economic analysis, as it may suggest changes in terms of trade without there being any actual changes in the prices of traded goods whenever there is a change in the commodity composition or a change in the relative importance of items figuring in the basket of traded commodities. It is, therefore, unwise to attach disproportionate importance to the results emerging from a study of variations in the terms of trade over time.



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There is another obvious flaw in the study of unit value comparisons, though it is not of a serious nature. Prices of a large number of traded goods are subject to fluctuations of a seasonal nature either due to skewed distribution of production within a year in the exporting country or due to fluctuations in demand abroad. In view of the possibility of such fluctuations, the author should have used unit values based on monthly rather than annual data on values and quantums of goods traded. Since this would eliminate the effects of seasonal price variations, it would give a better idea of the unit values realised in respect of India's trade with the East European countries as against those with the other countries.

Really speaking, unit value comparisons are subject to grave limitations unless a serious attempt is made to employ field investigation techniques to study market conditions in different countries and to interview persons engaged in foreign trade with the East European countries and with other countries. The first part of such a project can be undertaken by the IIFT if it is willing to allocate the necessary financial resources to employ market-oriented research staff. As regards the second part calling for extensive and frank dialogues with the business community engaged in foreign trade, the IIFT is not likely to succeed in its attempt as it has not built up the necessary contacts with and gained the confidence of the business community, even though it has been organising numerous training courses for persons employed in foreign trade. It is for this reason that one of the Institute's earlier publications on Indian joint ventures abroad failed to collect the necessary information from the Indian partners for evaluating the working of these ventures. All the same, the merit of that publication was that it pooled tother a good deal of useful information about the climate for foreign investment in some of the important countries in which Indian joint ventures are located. The utility of the booklet under review could have been similarly enhanced had it been less ambitious and had it concentrated more on country-wise analysis of the growth, diversification and changing pattern of India's trade with the East European countries over the last two decades.

In Chapter VI the author has devoted barely five pages to the problems and prospects of India's trade with East Europe. The burden of the argument here is that while there is need for diversification of India's exports in favour of non-traditional goods, there is equally a need for obtaining larger volumes of goods like non-ferrous metals, sulphur and petroleum crude from the East European countries so as to reduce the growing expenditure of free foreign exchange on their imports. The author does not show awareness of the fact that many non-traditional manufactured export items have an appreciable import content which is financed by free foreign exchange. Excessive stress on exports of these items to East European countries will result in the conversion of foreign exchange into inconvertible export earnings that can be used to finance imports only from the East European countries. Even conceding that a sizeable proportion of the goods imported from the East European countries would otherwise have to be imported with free foreign exchange from third countries, a sizeable step-up of non-traditional exports to the East European countries would be worthwhile only if we can obtain in exchange for them the same quantity of goods which would otherwise have to be obtained from third countries. Past experience on this score is not a very happy one. The USSR, for instance, quoted ridiculously low prices for the wagons it had thought of purchasing from India a few years ago. Similarly, East European countries have not been generally interested in selling more of goods which earn them free foreign exchange or have quoted unrealistically high prices for them. Indian importers give very low preference to import licences specifying East European countries as the source of import because of the unfavourable terms often quoted for such imports.

The recent 15-year trade and economic co-operation treaty with the USSR, however, has altered the picture to a large extent and in all probability the USSR and its allies may show greater willingness to accommodate India in its attempt to diversify its exports to them in favour of non-traditional exports by offering in exchange commodities required by India. But as regards the terms of exchange, the picture is still hazy. It needs to be stressed again that diversification of export-import trade cannot be justified on any *a priori* economic reasoning, as the author has attempted to do.

Though the booklet under review was released in the latter half of 1973, the data cited do not go beyond 1970-71 and a large number of tables give data only upto 1969. When almost all the required data are available on financial year basis from a single source, *viz*, DGCIS, it is strange that the author freely cites data both on calendar and financial year bases, for no better reason perhaps than that she has thereby saved some effort. The author appears to have reproduced a great deal of data compiled by the export promotion councils or the Reserve Bank on calendar year basis without bothering to compile the data for subsequent years herself.

INDAL

INDIAN ALUMINIUM COMPANY, LIMITED
1 Middleton Street, Calcutta 700016

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The last date for submission of applications is *25 January 1974*.

IA 7876

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40,00,000	Cumulative Redeemable Preference Shares of Rs. 100 each	40,00,000
25,00,00,000		**18,42,31,610**

Present Issue		Nominal Value Rs.
31,90,477	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share	3,19,04,770
	Out of the Present Issue	
12,42,132	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been offered for subscription in cash, in terms of a Letter of Offer dated 20 December 1973, to members of the Company who being Indian nationals resident in India were on the Register of Members of the Company at the close of business on 20 November 1973 in the proportion of one Ordinary Share for every five existing Ordinary Shares held on that date	1,24,21,320
2,00,000	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been reserved for allotment to Unit Trust of India for cash	20,00,000
1,89,670	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been reserved for allotment to Life Insurance Corporation of India for cash	18,96,700
1,00,000	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been reserved for allotment to the employees of the Company (being Indian nationals resident in India) for cash provided that the maximum number of shares which may be so allotted to any one individual employee shall not exceed 200 Ordinary Shares	10,00,000
17,31,802		**1,73,18,020**

NOW OFFERED FOR PUBLIC SUBSCRIPTION FOR CASH

14,58,675	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share (to which will be added the unsubscribed portion of the 17,31,802 Ordinary Shares referred to above)	1,45,86,750
31,90,477		**3,19,04,770**

TERMS OF PAYMENT

	Per Share Rs.	
On application	10	(Rs. 5 on account of nominal or par value, and Rs. 5 on account of premium)
The balance in not more than two calls at intervals of not less than 3 months between the date of allotment and the first call and between calls, the final call to be not later than 12 months from date of allotment	11	(Rs. 5 on account of nominal or par value, and Rs 6 on account of premium)
	21	

Failure to pay the amount due on call(s) will render the Ordinary Shares now being issued, including the amount already paid up on them, liable to forfeiture.

UNDERWRITERS TO THE ISSUE

The issue to the public of 14,58,675 Ordinary Shares at the price of Rs. 21 per share (inclusive of premium) has been underwritten as follows:

	No. of Shares Underwritten
The Industrial Credit and Investment Corporation of India Limited	2,50,000
Life Insurance Corporation of India	2,00,000
Unit Trust of India	2,00,000
National and Grindlays Bank Limited	2,00,000
Dhirajlal Maganlal Sons	35,000
Place, Siddons & Gough (Private) Limited	35,000
The Investment Corporation of India Limited	30,000
Stewart & Co.	30,000
Bhupendra Champaklal Devidas	25,000
Brijnath Khandelwal & Co.	25,000
G. M. Pyne	25,000
Harkisondass Lukhmidass	25,000
Industrial Investment Trust Limited	25,000
Lewis & Jones	25,000
M. M. Murarka & Co.	25,000
Merwanjee Bomanjee Dalal	25,000
Bharat Bhushan & Co.	20,000
D. S. Purbhoodas & Co.	20,000
H. P. Mehta & Co.	20,000
Harbans Singh Mehta & Co.	20,000
Jalan & Co.	20,000
Jamnadas Morarjee & Co.	20,000
Vinod Kumar & Co.	20,000
Raja Ram Bhasin & Co.	15,000
Batlivala & Karani	10,000
Chimanlal J. Dalal & Co.	10,000
Chitra & Co.	10,000
Dayco	10,000
J. C. Mehta	10,000
Lakhotia & Sons	10,000
Paterson & Co.	10,000
Rasiklal Maneklal & Co.	10,000
Varma & Co.	10,000
Behari Lal & Co.	5,000
Jahgirdar & Co.	5,000
Kaiki J. Khambatta	5,000
M. Nanjappaiah Jahgirdar	5,000
Prabhudas Lilladher	5,000
Harish Chandra Gutt & Co.	3,675
Chimanlal Manekal	2,500
K. J. Shah & Sons	2,500

National and Grindlays Bank Limited has also underwritten 1,00,000 Ordinary Shares reserved for subscription by the employees of the Company which form part of the public issue to the extent they are not taken up by the said employees.
In the opinion of the Directors, the resources of the Underwriters are sufficient to discharge their respective underwriting obligations.

PRINCIPAL BROKERS TO THE ISSUE

Place, Siddons & Gough (Private) Limited
6 Lyons Range, Calcutta 700 001

Dhirajlal Maganlal Sons
Stock Exchange Building, Apollo Street, Bombay 400 001

OTHER BROKERS TO THE ISSUE

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BOMBAY

Batlivala & Karani, Union Bank Building, Dalal Street, Bombay 400 001 * **Bhupendra Champaklal Devidas,** Bhupen Chambers, Dalal Street, Bombay 400 001 * **Chimanlal J. Dalal & Co.,** 107 Stock Exchange New Building, Dalal Street, Bombay 400 001 * **Chimanlal Maneklal,** 11 Motilal Mansion, 45 Tamrind Lane, Bombay 400 001 * **D. S. Purbhoodas & Co.,** Stock Exchange Building, Apollo Street, Bombay 400 001 * **Harish Chandra Gutt & Co.,** 45/47 Apollo Street, Bombay 400 001 * **Harkisondass Lukhmidass,** Stock Exchange Building, Apollo Street, Bombay 400 001 * **Jamnadas Morarjee & Co.,** 5A Hamam Street, Bombay 400 001 * **K. J. Shah & Sons,** Stock Exchange Central Building, Apollo Street, Bombay 400 001 * **Kaiki J. Khambatta.** Central Stock Exchange Building, Share Bazar, Fort, Bombay 400 001 * **Lewis & Jones,** Bank of Baroda Building, Apollo Street, Bombay 400 001 * **Merwanjee Bomanjee Dalal,** Allahabad Bank Building, Apollo Street, Bombay 400 001 * **Prabhudas Lilladher** 5 A Haman Street, Bombay 400 001 * **Rasiklal Maneklal & Co.,** Stock Exchange Old Building, Dalal Street, Bombay 400 001.

(Continued overleaf)

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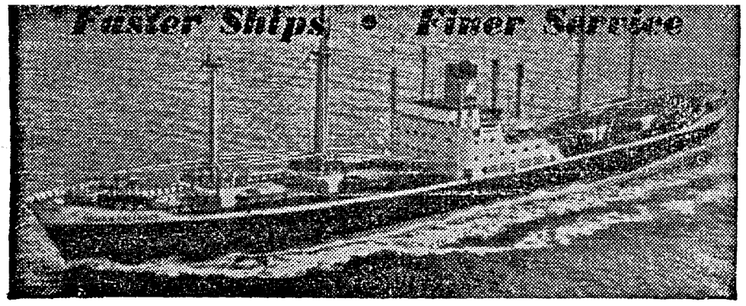
National and Grindlays Bank Limited, Lloyds Branch, 41 Chowringhee Road, Calcutta 700 016 and its main branches in Bombay Cochin, Delhi, Hyderabad, Kanpur, Madras, New Delhi, Simla and Srinagar * **First National City Bank** 43 Chowringhee Road, Calcutta 700 016 and its branches in Bombay, Madras and New Delhi * **Syndicate Bank,** 12/2 Clive Row, Calcutta 700 001 and its main branches in Bangalore, Belgaum, Bombay, Coimbatore, Jabalpur, Madras, New Delhi and Trivandrum * **Union Bank of India,** 15 India Exchange Place, Calcutta 700 001 and its main branches in Ahmedabad, Baroda, Bombay, Dehra-dun, Indore, Madras, Nagpur, New Delhi and Poona * **Bank of America National Trust and Savings Association,** 8, India Exchange Place, Calcutta 700 001 and its branches in Bombay and Madras * **Punjab National Bank** 18A Brabourne Road, Calcutta 700 001 and its main branches in Allahabad, Amritsar, Bombay, Chandigarh, Jaipur, Madras, New Delhi and Patna * **State Bank of India,** 1 Strand Road, Calcutta 700 001 and its main branches in Bhubaneswar, Bombay, Gauhati, Jamshedpur, Madras and New Delhi.

MANAGERS TO THE ISSUE

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Planning for Growth, Redistribution and Self-Reliance in the Fifth Five-Year Plan—II

Suresh D Tendulkar

An average annual growth rate of gross domestic product of 5.5 per cent, self-reliance and redistribution of consumption for the removal of poverty over the Plan period were the three accepted objectives of the Fifth Five-Year Plan as enunciated in the Approach to the Plan. The details of the planning model underlying the Approach document were supplied in a Technical Note that was circulated to the panel of economists in April 1973. The same planning model (with a change in the price base from 1971-72 to 1972-73) is said to form the basis of the Draft Fifth Five-Year Plan released recently. The objective of this paper, the first part of which was published last week, is to evaluate the planning model underlying the Approach document.

The model is found to be inadequate in its institutional specification and operationally unsatisfactory. The empirical basis for the three major policy-oriented conclusions emerging from it is found to be a poor approximation to the realised experience in the recent past, thereby making suspect their economic feasibility in practice. Because of the inadequate institutional specification of the model and the absence of a simultaneously worked-out policy-frame, the problems of evolving policy measures ex post *are shown to be intractable.*

It is not at all surprising, therefore, that the commitments on self-reliance and removal of poverty have been considerably diluted in the Draft Plan—although certain exogenous factors have been held responsible for this, especially for throwing overboard the objective of self-reliance. Even in the absence of these exogenous factors, the pronounced biases in the numerical parametric specification of the model, the inappropriate institutional specification and the socio-political infeasibilities involved in working out the policy-frame ex post facto *for the redistributive objective would have led to the same result.*

V Parametric Specification

THE economic feasibility of the alternative levels and combinations of social objectives indicated by a planning model is a direct *consequence* of the numerical assumptions made regarding the technological, behavioural and policy parameters as well as the specification of the crucially binding constraints operating on the system. Hence, before economic feasibility can be taken as realistically established by the numerical results of the model, it is necessary to investigate carefully whether there exist any pronounced biases in the numerical representation of certain crucial parameters (with reference to the observed behaviour in the past) that would reflect themselves and hence substantially affect the numerical results of the model. Viewed from this angle, we examine in this section three crucial conclusions that emerge from the numerical results of the model which are both striking and directly dependent on the numerical characterisation of the model. They relate to (a) the demand for foodgrains required for the removal of poverty; (b) the *import requirements*; and (c) the relationship between the growth strategy and redistribution.

Two fairly obvious principles that should be strictly adhered to in the parametric specification of the model may be mentioned at this point. First, the parametric specification should be operationally as simple as is permitted within the constraints of conceptual soundness and empirical stability. Second, the observed data should be adjusted as little as possible and that only when reliable empirical basis exists for the same. If adjustment is inevitable and its empirical basis is shaky it is preferable to adjust a smaller number of final variables to a larger number of individual co-efficients. The greater the extent to which these principles are violated, the farther removed is the numerical parametric specification from the observed reality and hence the more illusory is the economic feasibility based on it.

Demand for Foodgrains

Table 2 summarises the results from previous studies relating to the implications of alternative assumptions regarding redistribution for the rate of growth of foodgrains demand and output. These studies are closely comparable because they assume roughly the same level of *initial inequality* with reference to which changes are made for alternative redistribution objectives. From the perusal of column (6) of this Table, it is clear that the projected rate of growth of foodgrains demand estimated by the Planning Commission under the postulated redistribution [variant (D) in line 1(b)] are lower than those estimated by the other studies. This is partly to be expected because both the rate of growth of population and of per capita total expenditure assumed by the Planning Commission are lower than those in the other studies. However, this factor is likely to be more than compensated by the *steepest* postulated reduction in inequality and the *shortest* time horizon over which this is sought to be achieved. In other words, at least with reference to similar other studies carried out in the past (which adopt both longer horizons and less steep reduction in inequality) the rate of growth of demand for foodgrains appears to be under-estimated, and warrants a close investigation into the numerical specification of the consumption model from which it follows.

For working out an alternative exercise based on the past experience we adopted two variants. Variant (L) is based on the lowest realised aggregate proportion of total expenditure spent on foodgrains. This turned out to be the case for the 9th round. Variant (R) is based on the average proportion spent

TABLE 2 : IMPLICATIONS OF REDISTRIBUTION FOR FOODGRAINS DEMAND AND OUTPUT—SUMMARY OF PREVIOUS STUDIES

Specification of the Study	Period Covered (in terms of April-March year)	Length of the Plan Horizon (years)	Rate of Growth of Population Per Cent Per Annum	Rate of Growth of Per Capita Expenditure Per Cent Per Annum	Postulated Reduction in Concentration Ratio for Redistribution	Required Rate of Foodgrains Demand Per Cent Per Annum	Required Rate of Growth of Foodgrains Output Per Cent Per Annum
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Technical Note, Fifth Plan							
(a) Variant (C)	1973-74 to 1978-79	5 Yrs	1.9	2.8	unchanged at 0.32	2.44	3.12
(b) Variant (D)	1973-74 to 1978-79	5 Yrs	1.9	2.8	from 0.32 to 0.20	3.61	3.99
(2) Bardhan [1973]	1973-74 to 1978-79	5 Yrs	1.9	2.8	from 0.32 to 0.20	5.00	NA
(3) Manne and Rudra [1965]	1960-61 to 1970-71	10 Yrs	2.4	3.0	from 0.33 to 0.28	3.80	4.80
(4) Srinivasan *et al* [1965]							
(a) Variant I	1960-61 to 1975-76	15 Yrs	2.4	3.6	unchanged at 0.33	3.70	4.60
(b) Variant II	1960-61 to 1975-76	15 Yrs	2.4	3.6	from 0.33 to 0.25	4.05	4.97
(5) Dharm Narain [1972]							
(a) Variant I	1970-71 to 1980-81	10 Yrs	2.2	3.0	from 0.33 to 0.25	4.00	NA
(b) Variant II	1970-71 to 1985-86	15 Yrs	2.2	3.0	from 0.33 to 0.25	3.60	NA
(c) Variant III	1970-71 to 1980-81	10 Yrs	2.2	3.0	unchanged at 0.33	3.50	NA

Notes : See References for details regarding the studies cited here.

on foodgrains by each fractile group over all the available rounds of the NSS. The method of projection is the same as the one followed by Manne and Rudra (1965) and Srinivasan, Saluja and Sabherwal (1965). It may be noted that this method is identical in assumptions to the one followed by the Planning Commission in the Technical Note. If we assume that the trade and transport margins are an unknown but a fixed proportion of the market price, the rates of growth of demand at the producers' prices worked out from the Technical Note and at the market prices worked out from the NSS data are comparable. Table 2 summarises the rates of growth of foodgrains demand over the 5-year period under the alternative exercises. [For more complete technical details, a reference may be made to Tendulkar (1973): Section VI.(A), pp 61-74, Appendix 2, pp 168-174 and Appendix 3, pp 175-182.]

A careful examination of Table 2 brings out the following salient features. First, for the rural population as a whole, which accounts for nearly three-fourths of the total demand, the consumption model tends to underestimate the demand for foodgrains by 5 to 7 per cent with or without redistribution. The extent of underestimation is lower for the urban population. Second, for the rural population at a more disaggregated level with a postulated redistribution, the consumption model tends to underestimate the demand of the bottom 30 per cent of the population by 14 to 15 per cent, of the middle 40 per cent by 8 to 9 per cent and of the top 30 per cent by 2 to 5 per cent. For the urban population (with a postulated redistribution), the demand for foodgrains of the bottom 30 per cent of the population is underestimated by the consumption model by 18 to 20 per cent, that of the top 30 per cent by 5 to 8 per cent whereas the demand of the middle 40 per cent of the urban population is *overestimated* to the extent of 7 to 10 per cent.

The foregoing observations clearly suggest that as compared to the realised behaviour in the past based on the various rounds of the NSS, the consumption proportions adopted by the Planning Commission contain pronounced biases in understating the extent of demand for foodgrains for the bottom 30 per cent of the population and somewhat more so for the urban population than for the rural population. So far as the middle 40 per cent group is concerned, the consumption model tends to underestimate its demand for the rural population and overestimate it for the urban population. For the top 30 per cent of the population, there is a uniform tendency towards underestimation though it is much less than that for the other groups in the population and relatively lower for the urban population than for the rural population.

What are the implications of these biases for the aggregate demand for foodgrains? They are summarised in Table 4. It is clear that the aggregate demand for foodgrains is underestimated by 1 per cent per annum by the consumption model adopted by the Planning Commission or by 5 to 6 per cent in 1978-79. It may be emphasised that this requires additional 5 to 6 million tonnes of foodgrains in 1978-79. The repercussions of the extra demand of this magnitude for increasing the domestic production (when the assumed target growth of foodgrains output is considerably above the trend growth rate), balance of payments (with increased import requirements of foodgrains and/or fertilisers) and for domestic price stability are too obvious to note here.

Hence, the conclusion that the steepest reduction in inequality involving massive redistribution for the removal of poverty can be managed with 3.99 per cent average annual growth rate of foodgrains output is itself conditional upon the pronounced downward biases in the numerical specification of the consumption model and cannot be accepted as a realistic approximation to the realised consumer behaviour in the past.

ESTIMATION OF IMPORT REQUIREMENTS

An average annual growth rate of only 3.5 per cent for import of goods and services is claimed to be sufficient to sustain 7.5 per cent growth rate of fixed investment and 5.5 per cent growth rate of GDP. Combined with an assumption of 7.0 per cent growth rate of exports, estimated net imports of goods and non-factor services of Rs 403 crores in 1978-79 without import-substitution and redistribution are expected to be transformed into net exports of Rs 198 crores. This conclusion is a direct consequence of the specification of the import structure as also the import-substitution on assumptions which have to be closely examined.

We may recall from section II that the specification of imports in the static input output model adopted by the

TABLE 3 : INDICES OF FOODGRAINS DEMAND FOR 1978-79 WITH 1973-74—100 UNDER ALTERNATIVE EXERCISES FOR THE BROAD GROUPS OF THE POPULATION

	Bottom 30 Per Cent	Middle 40 Per Cent	Top 30 Per Cent	Total
1 *Without redistribution*				
(a) Rural population				
(i) Technical Note	116.56	111.11	109.49	111.78
(ii) Variant (L)	121.83	117.38	113.69	116.73
(iii) Variant (R)	123.05	118.19	116.30	118.31
(b) Urban population				
(i) Technical Note	118.31	123.48	111.41	118.40
(ii) Variant (L)	123.53	120.96	120.00	121.17
(iii) Variant (R)	127.30	119.99	118.81	122.20
2 *With redistribution*				
(a) Rural population				
(i) Technical Note	140.88	115.47	107.55	118.45
(ii) Variant (L)	154.57	123.94	110.22	124.15
(iii) Variant (R)	155.68	124.62	112.11	125.25
(b) Urban population				
(i) Technical Note	130.73	133.34	108.44	124.85
(ii) Variant (L)	148.67	125.33	116.58	127.22
(iii) Variant (R)	151.39	123.60	113.19	125.87

Source : Tables VI.4, VI.5 and VI.6 in Tendulkar (1973).

Planning Commission consists of two matrices:

(a) matrix $\left\{ m_{ij}^t \right\}$ of 66 x 66 dimension (M_1 matrix for short)

and (b) matrix $\left\{ c_j^t, g_j^t, f_j^t \right\}$ of 66 x 3 dimension (M_2 matrix for short)

where m_{ij}^t denote intermediate input co-efficients incorporating the demand for the competing imports of the i th sector type as intermediate input into the unit level of output at factor cost in the jth sector,

and c_j^t, g_j^t and f_j^t denote co-efficients indicating the requirements of the competing imports of the i th sector type per unit level of final demand originating in the private consumption, public consumption and gross fixed investment respectively.

The M_1 matrix is specified in Annexure III.4 for 1973-74 and in Annexure IV.4 for 1978-79 whereas the M_2 matrix is specified in Annexure III.5 for 1973-74 and in Annexure IV.5 for 1978-79 in the Technical Note. It may be emphasised that, conceptually, noncompeting imports do not appear in the model at all. For obtaining these two matrices for 1973-74, use has been made of "the actual levels of commoditywise imports for the year 1969-70 with necessary correction for 1971-72 prices, allocating them into intermediate and final uses on the basis of 66 x 66 input-output table" and "the two import co-efficient matrices have been suitably modified to take into account the estimates of commodity-wise imports for 1973-74" (Technical Note, p 10). The import-substitution assumptions involve exogenous changes in the elements of these matrices for the year 1978-79.

What are the considerations that should go into the specification of the import-structure? As we have noted in the last section in connection with the objective of self-reliance, the analysis of import-dependence has to be carried out in a very detailed manner, the level of required disaggregation being much more detailed that what is available in a 66 sector breakdown. Nothing of this type is spelt out either in the Approach document (where the chapter on self-reliance is conspicuous for the lack of quantification) or in the Technical Note. In the absence of detailed analysis of this type, the criterion on the basis of which the numerical specification of the import structure can be judged is its closeness of approximation to the realised import-dependence of the economy in the recent past.

The numerical specification of the import-structure adopted by the Planning Commission is based on the commodity composition of imports for 1969-70. Now this year is conspicuous for the lowest level of imports (measured here in dollar terms) registered during the period 1960-61 to 1971-72 both of capital goods and of intermediate products, barring the year 1966-67 which was affected by a very severe drought and devaluation. In particular, the imports of raw materials and intermediate products declined by 11 per cent from $ 1150.9 million in 1968-69 to $ 995.3 million in 1969-70 and rose to $ 1429.4 million by 1971-72 (or by 44 per cent over 1969-70). A similar remark applies albeit less sharply to the imports of capital-goods which declined from $ 703.3 million to $ 537.6 million, or by 24 per cent in 1969-70 over the previous year and rose to $ 626.8 million, or by 16.5 per cent in 1971-72 over 1969-70. It is clear, therefore, that any numerical specification based on the realised import-structure in 1969-70 is most likely to introduce a downward bias in at least the import requirements of intermediate inputs.

What effect this downward bias at the aggregate level would have at a detailed sectoral level needs to be investigated. Some sketchy information for some of the machinery industries has been put together in Table 5 for the years 1970 and 1971, the source being the Directorate General of Technical Development (DGTD). All the industries except agricultural tractors (which form part of the sector Agricultural Implements) are fairly comparable to the sectoral classification adopted by the Planning Commission. The imported intermediate input co-efficients used by the Planning Commission are listed in columns (9) and (10) for comparison with columns (5) and (8) calculated from the data given by the DGTD. This Table illustrates two points. First, the actual import content even at the aggregate level in any industry using the procedure of the Planning Commission fluctuates considerably even in two consecutive years, thus clearly confirming our earlier serious doubts on the stability of these co-efficients from year to year. Secondly, in all the cases, the total imported intermediate input co-efficient adopted by the Planning Commission for 1973-74 is invariably an underestimate and in almost all cases by a large margin.[13] It may be noted that the definition of "indigenous content" adopted by the DGTD implies buying from an "indigenous seller" who may have imported the commodity. Consequently, the import-content calculated from the data given by the DGTD may itself most probably be an underestimate. Notice that we have investigated the downward bias in the total imported intermediate input co-efficient for the sector as a whole. This, in turn, implies the percolation of the downward bias (along with its associated instability) to its allocation across sectors in a given column of the M_1 matrix.

Since, in the absence of any other recent data, it is not possible to extend the foregoing analysis to others sectors,

we adopt the next best alternative method of investigation. Here we attempt to assess the closeness of the import-structure resulting from the M_1 and M_2 matrices for 1973-74 with the realised import-structure in the recent past. If there are significant differences between the two import-structures, this would constitute an indirect evidence about the biases in the individual components of the M_1 and M_2 matrices.

The use-pattern of imports for 1973-74 that results from the Planning Commission's exercise has the following composition:

- Imports for intermediate use 49 per cent
- Imports for gross fixed investment 22 per cent
- Imports for private consumption 15 per cent
- Imports for government consumption 14 per cent

This composition appears to be at variance with the statement that appears in the Approach document itself that maintenance imports "constitute about 80 per cent of the total estimated imports". (Approach, Ch V, para 6, p 13). However, we do not possess the comparable use-composition for any recent year. All we have is a commodity composition of imports for various years. We have, therefore, attempted to rework the estimated commodity composition of imports for 1973-74 according to the input-output classification into three groups for which the data for 1969-70 to 1971-72 are available. The resulting percentage composition is as follows:

(Per Cent)

	1969-70	1970-71	1971-72	1973-74
(1) Imports of raw materials and intermediate products	47	54	59	50
(2) Imports of capital goods	25	25	26	23
(3) Imports of other goods (consumer goods)	28	27	15	27

Before we discuss this table, three comments are called for as a background. First, food imports were fairly low in 1970-71 and 1971-72. Secondly, although the aggregate imports showed an increase of 11 per cent after remaining fairly stationary in 1969-70 and 1970-71, the aggregate non-consumer goods imports increased by 11 per cent in 1970-71 over 1969-70 and further by 20 per cent in 1971-72 over the previous year. Thirdly, industrial production registered a fairly high growth rate of 7 per cent in 1972-73. The composition of imports for 1971-72 can, therefore, be regarded as in some sense "normal".

Notice, to start with, that the commodity composition of imports that we have worked out for 1973-74 is very close to the use-pattern that results from the numerical specification of M_1 and M_2 matrices noted above. In other words, we have not introduced any significant biases in our reworking of the import-structure. Second, the estimated commodity composition for 1973-74 conforms closely to the one realised in 1969-70 if we make an allowance for food imports. This is only to be expected because the commodity composition for 1969-70 was used for the computation of M_1 and M_2 matrices. Thirdly, and most importantly, the numerical specification of the import-structure adopted by the Planning Commission results in a clear and unmistakable underestimation of the proportionate importance of the imports of raw materials and intermediate products and a corresponding overestimation of imports for final consumption. The extent of underestimation is around 9 per cent for raw materials and intermediate products if we accept 1971-72 as a normal year and 5 per cent if we take an average over 1969-70 to 1971-72 after allowing for heavy food imports in 1969-70.

For capital goods, as a whole, even though the proportionate importance turns out to be about right in the aggregate, the broad composition of this sub-group reveals further discrepancies with respect to 1971-72 as is presented in Table A.

Thus, the imports of Electrical and Transport Equipment are expected to decline in absolute terms to negligible levels whereas the imports of Non-Electrical Equipment are estimated to be about twice their level in 1971-72. This implausible and drastic change in the composition of capital goods is a direct consequence of two factors: (i) the biases and errors in the numerical specification of the f_t^i elements in the M_2 matrix, and (ii) the exogenously specified composition of gross investment by sector of origin.

At a more disaggregated level, Table 6 attempts to examine the discrepancies at the aggregate level for all the uses put together between the actual imports in 1971-72 and those expected to materialise in 1973-74 on the basis of the numerical specification of the M_1 and M_2 matrices [columns (3) and (4)]. The sectors have been selected in a way that the imports are quantitatively important. They include all the raw materials and intermediate products (except plantations where imports are likely to be negligible) and those capital goods identifiable in the Indian Foreign Trade Classification. Since the capital goods considered here exclude Electrical and Transport Equipment (where we have already noted an implausible discrepancy between the actual imports in 1971-72 and those estimated for 1973-74), the imports covered in Table 6 account for 54 per cent of total imports in 1971-72 and 71 per cent in 1973-74. After qualitatively allowing for some growth over the two year period, the following discrepancies emerge.

Imports of Iron and Steel are estimated to decline in absolute terms of Rs 100 crores over the two years from Rs 238 crores in 1971-72 to Rs 138 crores in 1973-74. The corresponding aggregate import-availability ratio in 1973-74 works out to be a mere 10.5 per cent whereas in 1970-71 and 1972-73 this ratio stood at 13.4 per cent and 22.9 per cent respectively (Economic Survey, 1972-73, p 164). Since Iron and Steel is a basic intermediate input that goes into many machine-building and other industries, this steep reduction in imports as well as in the import-availability ratio is clearly a consequence of underestimating the import requirements of Iron and Steel in the imported input co-efficient matrix M_1.

Machine Tools is another sector where the import-availability ratios in the last few years had been 62 per cent (1968-69), 43 per cent (1969-70), 30 per cent (1970-71) and 38 per cent (1971-72) whereas the ratio that results from the Planning Commission's specification is 6.85 per cent. This is all the more odd for two reasons. The import-availability ratio does not conform even to the year 1969-70 on the basis of which the numerical specification of the M_1 and M_2 matrices is made. Secondly, the imports of machine tools are underestimated despite the overestimation of imports of Non-Electrical Equipment that we have already noted.

With the exception of crude oil, Inorganic Heavy Chemicals and an omnibus sector of Other Machinery (where there appears a strong tendency to overestimate the import-requirements), for all the other sectors, imports are either expected to decline in absolute terms or increase very slowly. Since all these sectors (except Agricultural Implements) relate to raw materials and intermediate products, this tendency is clearly the result of the pronounced downward biases in the imported input co-efficient matrix M_1. The over-estimation in the sector Other Machinery is mainly due to the high value of f_i^t (=0.55) in the M_2 matrix combined with the exogenously specified high weight attached to this sector in the composition of gross fixed investment in plant and equipment by sector of origin.

With a reasonable expectation of the absence of any drastic change in the import-structure between the one realised in the recent past and the one estimated for 1973-74 (without import-substitution), the foregoing analysis clearly discerns a tendency on the part of the numerical specification of the import-structure adopted by the Planning Commission to under-estimate the *import-requirements* of raw materials and intermediate products and possibly over-estimate the demand for imports for final uses. Import-substitution assumptions incorporate possible reductions in the elements of the M_1 and M_2 matrices for the year 1978-79. We have already commented in the last section on the unsatisfactory nature of this specification of import-substitution. The net overall result of all these changes at the sectoral level can be simply studied by examining the changes in the aggregate import-availability ratios for some key sectors that form a little over 70 per cent of the total imports estimated by the Planning Commission. The aggregate import-availability ratio at the sectoral level is defined as

$$\frac{M_i}{X_i + M_i}$$

where M_i is the level of competing imports in sector i (measured at c i f prices) for all the uses put together and X_i is the corresponding level of the gross output of the ith sector measured at producers' prices. These are presented in column (5) for 1973-74 and column (7) for 1978-79, in Table 6. It is clear that except for Crude oil where the import-availability ratio

TABLE 4 : IMPLICATIONS OF REDISTRIBUTION FOR THE DEMAND FOR FOODGRAINS UNDER ALTERNATIVE EXERCISES

	Without Redistribution		With Redistribution	
	Index for 1978-79 with 1973-74=100	Growth Rate Per Annum	Index for 1978-79 with 1973-74= 100	Growth Rate Per Annum
(1) Technical Note	112.75	2.44	119.40	3.61
(2) Variant (L)	117.47	3.27	124.66	4.51
(3) Variant (R)	118.93	3.53	125.35	4.62

Source : Tables VI.4, VI.5 and VI.6 in Tendulkar (1973).

TABLE A: COMPOSITION OF CAPITAL GOODS

(Rs crores)

	1971-72	1973-74
Non-electrical machinery and equipment	268.00 (59)	521.80 (89)
Electrical equipment	101.86 (22)	39.88 (7)
Transport equipment	84.40 (19)	22.22 (4)
Total: All capital goods	454.16	584.33

Note: Figures in brackets are percentages.

TABLE 5 : IMPORTED INTERMEDIATE INPUT REQUIREMENTS FOR CERTAIN MACHINERY INDUSTRIES REALISED IN 1970 AND 1971 AND THEIR COMPARISON WITH THE IMPORTED INPUT CO-EFFICIENTS OF THE PLANNING COMMISSION

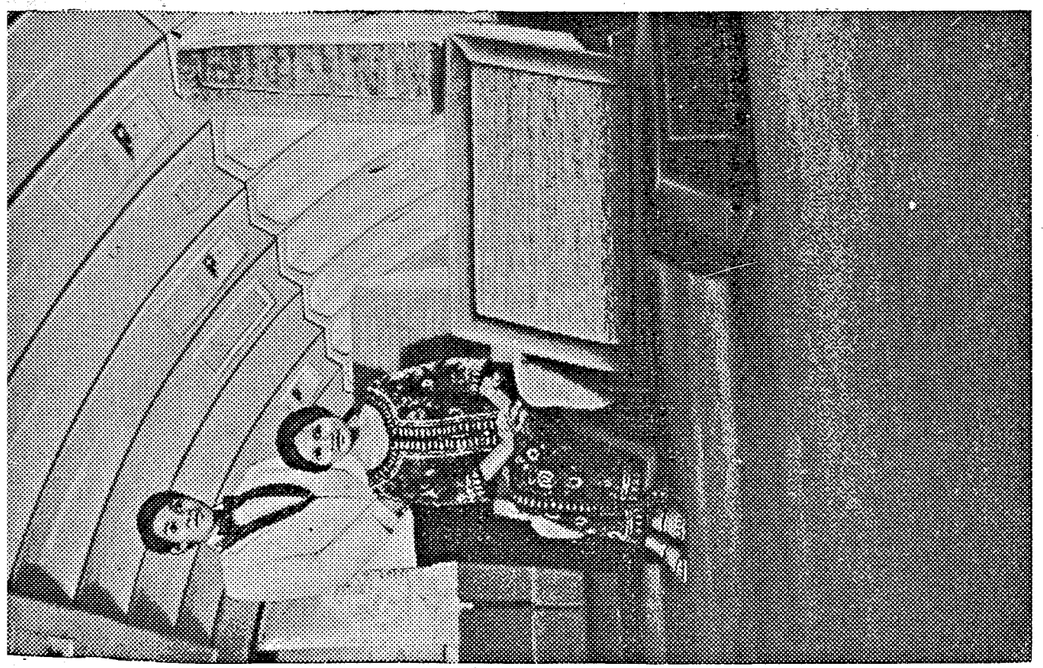
Sector Classification	Description	1970			1971			Total Imported Intermediate Input Co-efficient in the Technical Note	
		Production (Rs crores)	Foreign Exchange Expenditure (Rs crores)	Import Content (4)÷(3)	Production (Rs crores)	Foreign Exchange Expenditure (Rs crores)	Import Content (7)÷(6)	1973-74	1978-79
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
41	Agricultural tractors [1]	34.49	12.34	0.3578	28.31	7.27	0.2567	0.0029	0.0028
42	Other machinery [2 to 11,13,16 to 25]	166.16	23.59	0.1420	180.27	22.97	0.1274	0.1095	0.1052
44	Electric motors [26]	34.09	3.86	0.1131	33.23	0.55	0.0164	0.0069	0.0064
45	Cables and wires [27]	123.69	36.28	0.2934	143.41	15.54	0.1084	0.1447	0.1088
47	Batteries, dry and storage [29,30]	36.27	6.22	0.1716	46.45	7.93	0.1700	0.0391	0.0294
40	Air-conditioning and refrigeration [domestic and industrial (32)]	25.76	1.92	0.0745	35.00	2.20	0.0629	0.0031	0.0028
52	Motor cycles, scooters, Mopeds, scooterettes [15]	29.60	2.93	0.0990	31.71	4.27	0.1347	0.0041	0.0039
53	Commercial vehicles including cars and jeeps [14]	228.08	25.52	0.1119	255.18	43.26	0.1695	0.0723	0.0680
56	Railway wagons [33]	22.00	1.00	0.0454	17.00	1.00	0.0588	0.0186	0.0148
	Total *	762.33	122.46	0.1606	855.55	110.54	0.1292		

Notes : * Total includes calculating and data processing machinery.
(1) Sectoral classification in column (1) conforms to the one followed by the Planning Commission.
(2) Figures in brackets after the description in column (2) indicate the item specification in the original source for columns (3) to (8).

Sources : Directorate General of Technical Development "Build Machines, Build India", 4th Ed, September 1972, pp 344-46 for columns (3) to (8)
Technical Note : Annexure IV-4 for columns (9) and Annexure IV-5 for columns (10).

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realistically goes up from 69 per cent in 1973-74 to 82 per cent in 1978-79. and Other Minerals, there is a uniform decline in all the other sectors. Especially for paper and paper products, Fertilisers, Organic Heavy Chemicals, Petroleum Products, Non-ferrous Metals and Other Machinery (all these accounting for Rs 1,079 crores or 60 per cent of the imports in sectors covered in the Table 6) there is a fairly drastic reduction in the import-availability ratios by 1978-79 which are supposed to decline roughly to three-quarters or half their magnitude in 1973-74 and the absolute level of imports in these sectors in 1978-79 is estimated to be Rs 1,030 crores or a shade *less* than their corresponding level in 1973-74. Out of these steep reductions in the import-availability ratio, only one appears justified. In view of the upward bias in the estimation of import-requirements of Other Machinery in 1973-74 that we have already noted, a steep reduction in the import-availability ratio by 1978-79 may probably correct the bias. But correspondingly, the import-requirements of the Electrical and Non-Electrical Machinery (not covered in Table 6) may have to be significantly stepped up to correct for the downward bias we have already detected. The import-availability ratio for the Electrical Equipment sector is estimated at a low level of 0.0433 for 1973-74 and it gets further reduced to 0.0288 in 1978-79 as a result of import-substitution assumptions, whereas the ratio for the Transport Equipment sectors declined from a negligible level of 0.0227 in 1973-74 to 0.0134 in 1978-79. For Iron and Steel, we have already mentioned the possible underestimation in the competing import-requirements and this results in a low import-availability ratio of 0.1056 in 1973-74 and it does not change in 1978-79. For the remaining sectors, the import-availability ratios are estimated between 5 and 10 per cent in 1973-74 and are postulated to decline only slightly in 1978-79.

To recapitulate, in the foregoing analysis we have presented direct as well as indirect evidence which suggests that the estimated import-structure for 1973-74 that results from the numerical specifications of the M_1 and M_2 matrices shows significant deviations with respect to the realised import-structure in the recent past. In particular it exhibits a pronounced downward bias in the estimation of import-requirements of raw materials and intermediate products as well as Electrical and Transport Equipment. The only sector where there appears to be a significant overestimation is the heterogeneous sector Other Machinery. The anticipated import-availability ratios estimated for 1973-74 directly reflect these downward biases. To the extent that the import-substitution assumptions bring about a further significant reduction in these ratios, this would clearly imply a further accentuation of the already existing biases. The drastic nature of the import-substitution assumptions is brought out by the fact that the aggregate imports (including current transfers and non-factor services) which are estimated to increase by 41 per cent over the 5-year period in the absence of import-substitution, are postulated to increase only by 19 per cent with import-substitution and by 17 per cent with both import-substitution and redistribution.[14] The original outcome without import-substitution being far removed from the realised experience in the recent past, the connections the final outcome with import-substitution would have with the realised experience and actual feasibility would be anybody's guess. The empirical basis of the economic feasibility of self-reliance brought out by the model is shaky indeed as it is founded in assumptions accentuating the already existing pronounced downward biases in estimating the import-requirements, besides a high 7.00 per cent growth rate of exports.

TABLE 6 : ACTUAL IMPORTS 1971-72, ESTIMATED IMPORTS AND IMPORT-AVAILABILITY RATIOS FOR 1973-74 AND 1978-79

S Sector (1)	Sector Description (2)	Actual Imports 1971-72 (3)	Postulated Imports 1973-74 (4)	Import Availability Ratio 1973-74 (5)	Postulated Imports 1978-79 (6)	Import Availability Ratio 1978-79 (7)
2	Other agriculture (05,22,26 except 266)	186.60	139.53	1.30	170.39	1.25
9	Crude oil (331,34)	147.50	168.11	68.59	360.58	82.26
10	Other minerals (27 except 271)	25.83	16.90	12.10	36.90	14.37
20	Paper and paper products (64)	44.50	77.91	24.57	57.94	13.15
23	Fertiliser (271,56)	91.77	187.45	30.86	206.93	16.68
24	Inorganic heavy chemicals (513,514)	19.94	70.24	26.54	84.31	19.02
25	Organic heavy chemicals (512)	51.89	64.84	45.24	64.16	27.09
26	Plastics (58)	10.14	12.67	7.67	15.29	5.74
27	Cosmetics and drugs (54,55)	29.10	33.03	6.29	39.67	5.86
28	Man-made Fibre (266)	4.62	6.00	5.04	7.74	4.91
29	Other chemicals (59,52,53)	25.76	47.89	6.23	64.09	4.98
30	Petroleum products (332)	46.67	126.68	29.84	117.80	18.39
33	Other non-metallic mineral products (66)	39.90	41.13	5.37	69.26	5.27
34	Iron and steel (67)	237.60	137.74	10.56	231.93	10.79
35	Non-ferrous metals (68)	101.80	133.45	22.58	174.89	16.71
41	Agricultural implements (712)	25.60	11.61	6.77	17.55	6.74
42	Machine tools (715 except 7152)	18.40	7.50	6.85	11.24	4.94
43	Other machinery (71 except 712 & 714 & 7152)	218.41	489.10	47.85	409.21	26.49
51	Other electrical	NA	34.05	11.55	33.68	6.75
	Total	1325.03	1805.83		2163.56	
	Percentage of total imports	54	71		73	

Notes : (1) Sector specification in column (1) conforms to the one followed by the Planning Commission.
(2) Figures in brackets after the sector description in column (2) refer to the Indian Foreign Trade classification.

Sources : Monthly Statistics of Foreign Trade of India, Vol II, Imports, March 1972 for column (3).
Technical Note for columns (4) to (7).

RELATIONSHIP BETWEEN GROWTH STRATEGY AND REDISTRIBUTION

The final striking conclusion of the model is claimed to result from the insensitivity of sectoral growth rates of core sector output to the specification of the inequality parameter. This implies that the basic growth strategy that depends on the core sectors turns out *empirically* to be *functionally independent* of the social objective of the removal of poverty. If true, this is indeed very convenient and has far-reaching policy implications. First, this indicates that empirically, there is no conflict between growth and redistribution in the Indian context. Second, the policies required for these social objectives can be pursued independently of each other and a shortfall in the attainment of one objective need not affect the other. It is clear that both these features make the life of an

TABLE 7: AVERAGE ANNUAL GROWTH RATES OF SECTORAL GROSS OUTPUT FOR THE VARIANTS WITHOUT (CASE 3C) AND WITH (CASE 3D) THE POSTULATED REDISTRIBUTION

Sector No (1)	Case 3C (2)	Case 3D (3)	Difference (3D—3C) (4)
1	3.13	3.99	0.86
2	4.02	4.90	0.88
3	5.21	5.84	0.63
4	5.59	4.94	—0.65
5	5.61	6.42	0.81
6	9.47	12.03	2.56
7	12.26	12.46	0 20
8	9.82	9.62	—0.20
9	0.59	0.19	—0.40
10	11.63	11.61	—0.02
11	3.45	4.94	1.49
12	4.45	5.25	0.80
13	3.95	3.66	—0 29
14	6.24	5.03	—1.21
15	4.59	5.10	0.51
16	4.65	4.70	0 05
17	7.35	5.22	—2.13
18	7.08	5.77	—1.31
19	8.21	4.91	—3.30
20	11.02	9.85	—1.17
21	6.27	5.96	—0.31
22	11.95	9.30	—2.65
23	18.79	19.73	0.94
24	13.28	13.05	—0.23
25	10.71	11.31	0.60
26	7.95	10.50	2.55
27	4.68	5.28	0.60
28	8.05	5.80	—2.25
29	10.88	11.16	0.28
30	12.33	11.90	—0.43
31	8.71	8.28	—0.43
32	10.74	10.34	—0 40
33	8.21	8.00	—0.21
34	10.73	10.44	—0.29
35	13.95	13.75	—0.20
36	10.88	10.50	—0.38
37	7.11	6.80	—0.31
38	9.35	9.61	0.26
39	18.26	18.14	—0.12
40	11.66	11.36	0.30
41	8.74	8.70	—0 04
42	16.23	16.21	—0.02
43	16.38	16.33	—0.05
44	10.65	10.54	—0.11
45	8.91	8.45	—0.46
46	12.22	12.08	—0.14
47	9.30	7.05	—2.25
48	9.56	7.27	—2.29
49	9.11	3.46	—5.65
50	9.89	9.82	—0.07
51	12.47	12.30	—0.17
52	9.12	7.99	—1.13
53	11.70	7.04	—3.66
54	9.64	9.57	—0.07
55	12.59	12.52	—0.07
56	13.08	12.93	—0.15
57	7.08	6.99	—0.09
58	9.76	8.01	—1.75
59	10.19	10.10	—0.09
60	8.09	10.07	1.98
61	7.40	6.33	—1.07
62	11.08	10.63	0.45
63	8.52	8.13	—0.39
64	7.46	6.67	—0.79
65	6.51	6.02	—0.49
66	7.20	6.33	—0.87

economic planner immensely comfortable. It is, however, necessary to investigate whether the assumptions from which this result directly follows are indeed appropriate in the Indian context.

After comparing the solutions from the two variants — one without and the other with the postulated redistribution — the Approach document notes that an "important point emerging from the exercise was that the inter-sectoral patterns of growth in the two variants were *broadly similar* at the level of aggregation reflected in 66 x 66 table" (Ch VI, para 16, p 21). Further, the "exercises have shown that, given the pattern of inter-industry relationships and limited patterns of trade and external assistance, *the pattern of growth rates of output in the core sectors* of the economy which provide essential raw materials, capital goods and infrastructural facilities is *almost invariant* with respect to *any alteration* in the inequality parameter, so long as the commodity consumption pattern of every size class remains the same as in 1968-69. With regard to agriculture, core industries and mass consumption goods conclusions are *broadly similar* in both the cases". (Ch VI, para 16, p 21). The Technical Note adds: "While the observations made in the Approach Paper on the sectoral growth rates ... broadly stand, the results presented here would show *some differences* in a few sectors consequent on further scrutiny of the results. However, all these changes do *not* affect any of the *qualitative aspects* of the growth strategy adopted in the Approach document" (p 35; emphases added in all the quotations).

These extensive quotations indicate that the growth rates of "core sectors" are "almost invariant" to the specification of the inequality parameter given the pattern of inter-industry relationships, limited possibilities of trade and external assistance and the commodity consumption pattern. Presumably, these given factors are responsible for the invariance phenomenon. It may be noted that these conclusions are derived from the comparisons of average annual growth rates over the five-year period between the two variants. Now when a growth rate over five years is reduced to an average annual term, it tends to blunt the differences in the original growth rates. Moreover, the invariance is based on the implicit assumption of a uniform and equal weight attached to differentials in growth rates in all the sectors. In other words, an x per cent differential in the average annual growth rate in foodgrains (sector 1) carries the same weight or relative importance as an x per cent differential in any other sector, say, ball-bearings (sector 39), nuts, bolts, etc (sector 36) or aircraft (sector 55).

Table 7 presents the average annual growth rates in the two cases: variant without redistribution (3C) and with the postulated redistribution (3D) also the differential between the two.

The Approach document (Ch VI, para 15, p 21) mentions that for 10 sectors, the preferred variant shows a higher growth rate by 0.1 percentage point, for 29 other sectors, it is lower by 0.1 percentage point or more whereas, by implication, for the remaining 27 sectors, the growth rates differed by less than 0.1 percentage point in either direction. Table 7 indicates that only for 10 sectors the growth rates differ by 0.1 percentage points and even if we widen the bound to 0.25 percentage points in either direction, the number of sectors does not exceed 20. 16 sectors (as compared to 10 mentioned in the Approach) register an increase in growth rates exceeding 0.25 percentage points. For 18 sectors (as compared to 5 mentioned in the Approach) the growth rates in the two variants exceeded by more than 1 percentage points in either direction. Out of 47 sectors that register a decline in growth rate in the preferred variant, only for 8 sectors was the decline less than 0.1 percentage point. It appears, therefore, that the "further scrutiny" in the Technical Note results not just in "some difference" as claimed there but fairly substantial differences. For agriculture, the growth rates in the preferred variant are 0.85 percentage points higher which would make a difference of 4 per cent over the five-year period. Since one percentage point difference in the production of foodgrains amounts to over one million tonnes, the growth rates emerging from the two variants for foodgrains can certainly not be called "broadly similar". The sectoral composition of the "mass consumption goods" whose growth rates are claimed to be "broadly similar" does not appear in the Approach document. If we take them to cover sugar and gur (sector 11, whose growth rate, i e, up by 1.49 percentage points in the preferred variant), vegetable oils (sector 12, up by 0.80 percentage points), cotton textiles (sector 15, up by 0.51 percentage points), the conclusion does not

TABLE 8: IMPLICATIONS OF POSTULATED REDISTRIBUTION FOR THE RURAL POPULATION

Percent Fractile Group	Average Annual Per Capita Total Consumer Expenditure			Index of Change		Decomposition of Total Change			Percentage Decomposition of Total Change			Financial Implications (Rs crores at 1971-72 market prices)
	1973-74	1978-79(C)	1978-79(D)	(4)/(2)	(4)/(3)	Redistribution (4)—(3)	Growth (3)—(2)	Total (4)—(2)	Redistribution (7)/(2)	Growth (8)/(2)	Total (9)/(2)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
0- 5	163.18	187.62	321.88	197.25	171.56	134.26	24.44	158.70	82.28	14.98	97.26	331.31
5- 10	225.85	259.68	393.86	174.39	151.67	134.18	33.83	168.01	59.61	14.98	74.39	334.12
10- 20	283.20	325.62	450.91	159.22	138.48	125.29	42.42	167.71	44.24	14.98	59.22	623.92
20- 30	347.06	399.04	510.67	147.14	127.97	111.63	51.98	163.61	32.14	14.98	47.12	555.90
30- 40	407.96	469.05	562.96	137.99	120.02	93.90	61.10	155.00	23.01	14.98	37.99	467.60
40- 50	471.81	542.48	614.57	130.26	113.29	72.09	70.67	142.76	15.28	14.98	30.26	358.99
50- 60	543.35	624.74	668.89	123.10	107.07	44.15	81.39	125.54	8.12	14.98	23.10	219.90
60- 70	628.49	722.63	731.37	116.37	101.21	8.74	94.14	102.88	1.41	14.98	16.37	43.53
70- 80	739.05	849.75	806.75	109.16	94.94	—43.00	110.70	67.70	—5.82	14.98	9.16	—214.15
80- 90	908.73	1044.85	914.04	100.58	87.48	—130.81	136.12	5.31	—14.40	14.98	0.58	—651.44
90- 95	1137.55	1307.93	1047.14	92.05	80.06	—260.79	170.38	—90.41	—22.93	14.98	—7.95	—649.38
95-100	1638.92	1884.40	1298.40	79.22	68.90	—586.00	245.48	—340.52	—35.76	14.98	—20.78	—1459.15

Notes: (C) refers to the variant without any change in the level of inequality.
(D) refers to the "preferred" variant with the postulated change in the level of inequality.
Figures in columns (2) to (4) and (7) to (9) are in rupees at 1971-72 market prices.

Source: Calculated from data supplied in the Technical Note.

seem to hold.

For some 14 sectors covering various "luxury" commodities, the growth rates are justifiably lower by one percentage point or more in the preferred variant. This confirms the statement in the Approach document (Ch VI, para 16, p 21) that "In respect of luxury consumption sectors ... the preferred variant implies rigorous curbs on their growth". However, it is interesting to note that redistribution pushes up the growth rate by about 2 percentage points per annum in the sector "Other Industries" (no 60) covering "jewellery, mints, musical instruments, pens and pencils, fountain pens, button making, ice, celluloid articles, brooms and brushes, games and sports goods, toy-making, bone and ivory products, slates and other miscellaneous industry products" (Technical Note, Annexure II, p 54). This is just another reflection of the biases in the consumption proportions introduced in the process of making adjustments for trade and transport margins and for 1971-72 prices which violate the principle of minimal adjustment to data that we have mentioned at the beginning of this section.

Coming finally to the core sector industries, the sectoral classification of these industries does not appear in the Approach document or in the Technical Note. From the sectoral classification, the following sectors can be taken to include the core sectors (with sector numbers in the brackets):

Group I: Those producing essential raw materials: coal (6), crude oil (9), fertilisers (23), inorganic heavy chemicals (24), organic heavy chemicals (25), other chemicals (29), cement (31), iron and steel (34), non-ferrous metals (35), bolts, nuts, etc (36) and metal containers (37).

Group II: Those producing capital goods: sectors 39 to 57 (with the exception of 49, namely, radio) covering sectors producing electrical, non-electrical and transport equipment.

Group III: Those providing infrastructural facilities: electricity (62), construction (63), railways (64), other transport (65) and other services (66).

For all the sectors in group I, the differential in the average annual growth rates exceeds 0.2 percentage points (in either direction) and for at least three it is significant in a positive direction, *viz*, for coal (2.56 percentage points), fertilisers (0.94 percentage points) and organic heavy chemicals (0.60 percentage points). For coal, the differential is extremely implausible and may reflect the biases in the inter-industry coefficients.

For most of the 18 sectors appearing in group II, the differential appears to be negligible in the range of 0.3 percentage points in either direction.

For the sectors in group III, the differential is in the negative direction (except for electricity) ranging between 0.39 and 0.87 percentage points.

Thus, if we accept 0.3 percentage point difference as a plausible cut-off point, for four sectors in group I (including iron and steel and non-ferrous metals) and most of the industries in group II, the invariance phenomenon appears to hold. These sectors constitute what may be called investment goods sectors since their output basically determines the quantum of real fixed investment excluding construction. Prospects for long-term growth depend on the rate of output of these sectors and hence the "growth strategy" itself. It is the rates of growth of output of these industries that appear to be invariant to the specification of the inequality parameter and this explains the sense in which basic growth strategy and redistribution can be termed to be functionally independent. We have already indicated the convenience of this feature in the planning process.

The crucial question is under what conditions the phenomenon of invariance of the growth strategy to the specification of redistribution can be expected to hold. The existing input-output tables for the Indian economy suggest that the investment goods sectors have quantitatively insignificant direct and indirect current account inter-industry linkages with other consumer goods sectors and especially those sectors like foodgrains that are important from the point of view of redistribution. This is the near block-angular structure that has been noted in particular by Manne and Rudra [(1965), section 1.4, pp 63-65]. The input-output matrix constructed by the Planning Commission possesses this characteristic. Next, notice the structure of the final demand vector. The aggregate quantum and the composition of investment by sector of origin is completely exogenously specified by the growth objective and remains

INDUSTRIAL UNREST IN THE LIC:

FACTS YOU SHOULD KNOW

An appeal to the LIC employees

Millions of newspaper readers and listeners of All India Radio must have wondered during the last two months about the reports of the continuous agitation for higher wages by Class III & IV employees of LIC.

Let us first consider the justification, if any, for this unrest in the face of the management's sincere attempts to settle matters amicably. And secondly, the final offer made on 28th December 1973, involving an additional outlay of Rs 6 crores per annum. Both these points should be examined in the light of (i) LIC's capacity to pay (ii) Wages in outside employment (iii) LIC's obligation to the policy holders and the community.

What does the employee gain?

Under the new offer, there's a gain of Rs 68 to Rs 87 for peons and Rs 95 to Rs 154 for clerical assistants. Here are the improvements proposed for the peons, clerical assistants and Superintendents.

Category	Remuneration as per the existing scales (inclusive of bonus component) per month		Remuneration as per the offer (inclusive of bonus component) per month	
	Min	Max	Min	Max
Peons	336	575	404	726
Clerical Assistants	419	1174	514	1447
Superintendents	785	1723	933	2033

The other components of the offer:
The offer also contains a generous provision for Bonus.

	Minimum	Maximum
Peons	increase from 340 to 571	increase from 600 to 975
Clerical Assistants	increase from 424 to 730	increase from 1248 to 2003

On an average every employee will benefit by Rs 115 per month.

What's more under the new scales a new recruit in the peon's category will get Rs 390 per month while the clerical assistant will start with Rs . 467 per month.

Capacity to pay :

While the major union in the LIC has flatly rejected these generous terms, there has been no constructive response from the other 4 unions.

The reason? They argue that LIC's capacity to pay has grown enormously due to the increase in new business and renewal premium income. All this is very true. But these growth factors cannot be considered in isolation. They must be examined in relation to both the wage bill and the returns to the policy holders.

During the period between 1957 and 1973, the wage bill has moved up from Rs 9.16 crores to Rs 58.04 crores, showing an increase of 534 per cent. As against this new business increased by 514 per cent and renewal premium by 452 per cent only. It is clear from this that the wages have increased faster than both, the renewal premium and new business. However, LIC has not succeeded either in reducing the premium rates for policy holders or significantly increasing the rate of bonus.

Why not a second look?

Instead of considering the offer on its merits, inter-union rivalry has led to the escalation of the agitation in the form of work-to-rule, go-slows, strikes, holding of meetings and demonstrations within the office premises during office hours. All these have brought the working of the LIC to a grinding halt in some of the Divisions. This has rendered it difficult to give any service to the existing policy holders and provide life insurance protection to the public.

Let wiser counsel prevail.

The employees' current methods cannot improve LIC's capacity to meet their demands. In fact, LIC could only agree to the additional outlay of Rs 6 crores per annum in the hope that it would secure industrial peace and this in turn would increase productivity and profitability. Only if the latter condition was fulfilled, could LIC absorb the additional burden. If, however, the agitation continues, it may even compel LIC to review its position in order to protect the interests of the policy holders.

Lastly

LIC appeals to all its employees to give up the agitational approach. Instead, LIC would like its employees to realise their responsibilities and turn to constitutional methods. It is worthwhile remembering that while life insurance provides its employees sustenance in a relatively generous measure, it also provides to people at large an essential measure of financial security for the future. And at the same time, it secures much needed funds for the economic development of the country.

K. R. PURI
Chairman

8th January 1974

Life Insurance Corporation of India

TABLE 9: IMPLICATIONS OF POSTULATED REDISTRIBUTION FOR THE URBAN POPULATION

Percent Fractile Group	Average Annual Per Capita Total Consumer Expenditure			Index of Change		Absolute Decomposition of Total Change			Percentage Decomposition of Total Change			Financial Implications (Rs crores at 1971-72 market prices)
	1973-74	1978-79(C)	1978-79(D)	(4)/(2)	(3)/(2)	Redistribution (4)—(3)	Growth (3)—(2)	Total (4)—(2)	Redistribution (7)/(2)	Growth (8)/(2)	Total (9)/(2)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
0- 5	165.38	186.83	319.47	193.17	171.00	132.64	21.45	154.09	80.20	12.97	93.17	89.54
5- 10	239.88	270.98	410.27	171.31	151.40	139.29	31.10	170.39	58.34	12.97	71.31	94.02
10- 20	310.65	350.93	489.30	157.51	139.43	138.37	40.28	178.65	44.54	12.97	57.51	186.80
20- 30	392.59	443.50	572.53	145.83	129.09	129.03	50.91	179.94	32.86	12.97	45.83	174.19
30- 40	473.79	535.23	649.04	136.99	121.26	113.81	61.44	175.25	24.02	12.97	36.99	153.63
40- 50	559.46	632.01	725.54	129.69	114.80	93.53	72.55	166.08	16.72	12.97	26.69	126.27
50- 60	657.80	743.10	809.61	123.08	108.95	66.51	85.30	151.81	10.11	12.97	23.08	89.80
60- 70	777.74	878.59	905.46	116.42	103.06	26.87	100.85	127.72	3.45	12.97	16.42	36.27
70- 80	937.90	1059.52	1026.52	109.45	96.89	—33.00	121.62	88.62	—3.52	12.97	9.45	—44.56
80- 90	1189.70	1343.97	1203.91	101.19	89.58	—140.06	154.27	14.21	—11.78	12.97	1.19	—189.08
90- 95	1539.09	1738.66	1430.90	92.97	82.30	—307.76	199.57	—108.19	—20.00	12.97	—7.03	—207.74
95-100	2355.56	2661.01	1889.94	80.23	71.02	—771.07	305.45	—465.62	—32.74	12.97	—19.77	—520.48

Notes: See Notes to Table 8.

rigidly fixed between the two variants without and with the postulated redistribution. The only component that changes between the two variants is the composition of the private consumption expenditure which does not make any significant direct demands on the investment goods sectors. When these features of the final demand vector are combined with the near block-angular structure of the input-output co-efficient matrix in a static input-output framework, it is very clear that the invariance phenomenon between the basic growth strategy and the specification of inequality is a direct consequence. In fact, Manne and Rudra (1965) have shown this type of a phenomenon in a different context to hold in a more general single-period framework incorporating inter-connections through capital account deliveries between the final demand and the gross output vectors *via* the specification of the capital-co-efficient matrix (see in particular, sections 1.7.2-4, p 70). Keeping the level of inequality and the exogenously specified level of gross fixed capital formation unchanged, they increase the household consumption from Rs 17,900 crores (in case 1AB) to Rs 21,400 crores (case A). Predictably, the output of investment goods sectors (covering all types of machinery and iron and steel) turns out to be roughly invariant between the two cases 1A and 1AB, whereas the output of foodgrains and cotton and other textiles turns out to be higher in case 1A than in 1AB (see Table 10, p 76). Even here the invariance is much less sharp when the aggregate quantum of investment and its composition as well as sectoral allocation is made semi-endogenous in a full-fledged single period open-loop framework.

The foregoing analysis indicates that the invariance of the average annual growth rates of investment goods sectors to the specification of changes in inequality is a direct consequence of the near block-angular structure of the input-output matrix combined with the static input-output framework. The result tends to weaken in a more general single period though open-loop framework when the interconnections through the capital account deliveries are introduced. The present author (1968), using the input-output matrix developed by Manne and Rudra with slight modifications, found in a series of illustrative exercises based on a closed-loop framework that the growth rates of even the investment goods sectors tend to be sensitive to different specifications of saving rates of wage and non-wage income-earners even though the consumption patterns of the two types of income-earners are assumed (implausibly) to be homogeneous. In fact, the invariance phenomenon may not be expected to hold in a closed-loop framework (a) when the marginal savings rates of different sections of the population are not the same even though the sectoral capital co-efficients may be identical and (b) when the sectoral capital co-efficients differ even with the same marginal savings rates for the entire population. The result would be reinforced when both (a) and (b) are in operation so long as the capital intensities, and the associated marginal savings rates may be expected to be correlated with each other. Hence the conclusions drawn from the invariance of the basic growth strategy to the specification of the inequality parameter are a direct consequence of the restrictive framework of the model adopted by the Planning Commission. As we have argued in detail in section III, this framework does not take into account the constraints imposed by the socio-political environment of democracy and the institutional framework of a mixed economy, and hence is inappropriate especially in the Indian context. Moreover, as discussed in section IV, the rigidities in the specification of the model even within the given framework make it incapable of investigating the interrelationships between growth and redistribution. We may thus conclude from the foregoing discussion that the inferences drawn from the invariance phenomenon are certainly not warranted nor are they likely to hold in an institutionally more appropriate closed-loop framework.

VI

Redistributive Planning and the Problems of Policy-Frame

While considering the problems of a consistent and co-ordinated policy-frame, the constraints imposed by the socio-political environment and the institutional framework of a mixed economy have to be kept in the forefront. Here, the crucial consideration is whether the government (dominated naturally by the political party in power) is willing to accept the consequences of acting as an agent of desirable social and economic change independently of

the existing dominant interest groups. Wherever it is capable of acting independently, the socio-political feasibility of certain socially desirable but politically unpalatable measures can be assured. When it tends to choose politically 'soft' options, it fails to act independently and the socio-political infeasibility of a given policy measure makes it a non-starter. This consideration is very crucial when redistribution is an explicit social objective which, by its very nature, involves sacrifices on the part of the existing dominant interests in favour of the weaker sections of the society. In this context, we may especially note the dangers of not working out a policy-frame simultaneously with the quantification of social objectives that takes place through the exercises based on a planning model. First, if the institutional specification of the model (discussed in section II) is inappropriate to the planning problems of a mixed economy and is suited strictly to a centrally planned economy with public ownership of the means of production, it is quite clear that a feasible policy-frame may just not exist to back up the quantification of social objectives. This is mainly because the requirements of the control over the direction and composition of economic activity implicit in an inappropriate institutional specification may not in fact exist in a mixed economy. Secondly, an informed political choice of the socio-politically feasible course of action among the alternatives can only be made at a concrete programme level where the consequences of each alternative become explicit. If the quantification of social objectives is carried out without spelling out in concrete terms the consequences in the form of a policy-mix required to attain the prespecified levels of social goals, it is very likely that the crucial parts of the policy-frame may turn out to be socio-politically infeasible if an attempt is made to work them out *ex post facto*, as is postulated in the Approach document. Finally, the most dangerous aspect of this feature is that the quantification of social objectives in the absence of its policy consequences may turn out to be politically appealing at the slogan level and, being trapped in the slogans, its half-hearted implementation after being aware of its concrete consequences, may turn out to be worse for the attainment of the social objective than the original situation. Given the socio-political feasibility, the operation of the policy-frame itself will be subject to the constraints imposed by the administrative, organisational and financial resources at the disposal of the government.

The social objective of redistribution for the removal of poverty requires strict control over the composition as well as the organisation of economic activity. In a mixed economy, this, in turn, requires effective controls especially over the private economic activity covering production, distribution and consumption of goods and services. It may be instructive to review briefly the Indian experience over the last two decades in this context as a background. Here we draw on the two perceptive analyses of the Indian situation made by two of our prominent economists. Gadgil (1967), in his assessment, concludes:

> "In short, where the Government of India directly undertakes large programmes of public expenditure, it succeeds best. It fails to the extent that the planned use of resources lies in other hands, especially where it is a matter of detailed multi-directional operations, or where the long term policy is needed to obtain results". Therefore, "in the aggregate the eeconomy operates as almost a *laissez-faire* economy, in part modified by the operation of particular controls. It also means that where the particular measure is in line with trends set in motion by *laissez-faire* operation the trend is accentuated; on the other hand, where it seeks to counter such a trend it is usually powerless." [Gadgil (1972), p 365-66].

K N Raj (1969), in his analysis of the Indian planning experience, provides an explanation of the recent drying up of financial resources for the public sector investment (which, as Gadgil noted, is the area where the government's controllability has been at its best). In his view, the inability of the government to control the distribution of private income and wealth and the pattern of private consumption and investment that results from it, led to non-plan investments in the private sector. This created a scarcity of funds for public investments. In this situation, the government opted for a soft option of dependence on foreign aid. Since foreign assistance was available during the Second and Third Plan periods, the resource-drying-up was not felt acutely. However, in recent years, with a sharp reduction in foreign assistance combined with the inability of the public sector enterprises to generate surpluses and a steep rise in the current expenditure of the government, public sector investment had been fairly stagnant in real terms. The part of the private sector investment that is sustained by virtue of its complementarity with the public sector investment has also consequently experienced stagnation.

The conclusion that emerges from these two analyses is that the controllability of the government over the private economic activity has been ineffective. The rate as well as the pattern of growth of this sector that looms large in a mixed economy have never closely conformed to those postulated in the plans. It is important to emphasise this phenomenon in order to highlight the nature of constraints imposed on a feasible policy-frame by the existing system of working of the economy. It is in the light of the foregoing considerations that we wish to discuss the single most important area of the Fifth Plan, *viz*, the redistributive programme for the removal of poverty which is the primary objective of the plan.

Removal of poverty has been accepted as one of the major objectives of the Fifth Plan. In pursuance of this, a redistribution exercise has been carried out in a static input-output framework and reported in the Technical Note and the Approach document. In one variant [denoted by (C)] the level of inequality in 1973-74 and in 1978-79 is assumed to remain the same as in 1968-69 in specifiying the sectoral levels of aggregate private consumer expenditure. This exercise yielded a solution in which the bottom 30 per cent of the population increased their average per capita monthly total expenditure at 1971-72 prices from Rs 22.90 in 1973-74 to Rs 26.33 in the rural areas and from Rs 25.17 in 1973-74 to Rs 28.44 in the urban areas. These levels fall far short of the desirable minimum consumption level that has been worked out to Rs 36.64 in the rural and Rs 39.64 in the urban sector. Since the aggregate growth rate has been estimated at the ceiling level and hence cannot be increased, redistribution becomes inevitable. In the alternative (the so-called "preferred") variant [denoted by (D)], the level of aggregate private consumer expenditure as derived in variant (C) is assumed to be redistributed in such a way that average per capita monthly total expenditure of the bottom 30 per cent of the population is brought to the desired minimum level in both the urban and rural sectors. This implies an increase over the Fifth Plan period of "60 per cent for the rural poor and 50 per cent for the urban poor. The *sharp* levelling up of the poor involved *some* levelling down of the rich. The monthly per capita consumption of the richest 30 per cent of the population was estimated to decline, over the Fifth Plan period, from Rs 84.42 to Rs 80.38 *in the case of the rural rich and from* Rs 113.21 to Rs 108.07 in the case of the urban rich" (the Approach, Ch VI, para 9, p 18, emphasis added). It is further observed that the "envisaged decline in the average per capita consumption level of the richest 30 per cent of the population *cannot be described as an overly drastic one*" (para 10, p 18, emphasis added). The consistent levels of sectoral gross output are worked out under each variant in a static input-output framework. It may be noted that this type of exercise had been carried out by the Perspective Planning Division (1962) and by Srinivasan Saluja and Sabherwal (1965) in a more general single period open-loop framework. The full implications of the exercise carried out by the Planning Commission has not been brought out either in the Approach document or in the Technical Note. Tables 8 and 9 attempt this task for the 12 fractile groups of the rural and the urban population.

TABLE 10: IMPLICATIONS OF REDISTRIBUTION FOR THE UPPER 30 PER CENT OF THE POPULATION: SUMMARY

(per cent)

Fractile Group	Rural		Urban		All India Total Contribution
	Reduction in Per Capita Total Expenditure	Total Contribution for Redistribution	Reduction in Per Capita Total Expenditure	Total Contribution for Redistribution	
(1)	(2)	(3)	(4)	(5)	(6)
Between 70 and 80	5	7	3	4	7
Between 80 and 90	13	22	10	20	21
Between 90 and 95	20	22	18	22	22
Between 95 and 100	31	49	29	54	50

Source: Columns (6) and (13) of Tables 8 and 9.

First, notice that, in terms of the familiar concentration ratio, the postulated redistribution implies a steep reduction of 38 per cent from 0.31 in 1973-74 to 0.19 in 1978-79 for the rural population, of 32 per cent from 0.35 in 1973-74 to 0.24 in 1978-79 for the urban population, and of 36 per cent from 0.32 in 1973-74 to 0.20 in 1978-79 for the rural and the urban populations together. Historically, the concentration ratio *at current prices* declined from an average of 0.34 over the First Plan period to 0.33 over the Second Plan period and to 0.30 over the Third Plan for the rural population. The corresponding reductions for the urban population are 0.38 (First Plan), 0.37 (Second Plan) and 0.36 (Third Plan).[15] At constant prices the extent of reduction may probably be less than at current prices. With this background, the postulated reduction in the preferred variant over just five years is certainly massive by any standards.

Second, even after the bottom 30 per cent of the population is enabled to enjoy an *average* consumption level satisfying a desirable minimum, 15 per cent of the population or 86.4 million persons would still remain below the poverty line. Technically, this is just a trivial consequence of the assumption of lognormality. But it is important to emphasise that even the quantification of the "preferred" variant does not completely "do away with poverty in terms of the Plan objective" as claimed in the Approach document (Ch VI, *para 9, p 18*). *This has obvious* socio-political implications when the quantification is adopted as an operationalisation of the political slogan of the eradication of poverty.

Thirdly, when the overall per capita expenditure is postulated to grow over the 5-year period by 15 per cent for the rural population and 13 per cent for the urban population, the per capita total expenditure of the 8th decile (between 70 and 80 per cent fractile group) is expected to grow by 9 per cent, that of 9th decile, is supposed to be frozen at the 1973-74 level, that of the next 5 per cent of the population, is required to *decline* by 7 to 8 per cent whereas for the top 5 per cent of the population the required reduction works out to 20 per cent as compared to their estimated *realised* level in 1973-74 [See column (5) in Tables 8 and 9].

In the previous paragraph we have presented the combined effect of growth and redistribution by taking the net effect over a 5-year period. This net effect can, *in turn*, be *decomposed* into two components, *viz*, (i) that due to redistribution after growth has been achieved as in the non-preferred variant and (ii) that due purely to growth in the absence of redistribution. This decomposition is crucially important for at least two reasons. First, the policy measures to pursue the growth objective are relatively easy to devise in a mixed economy as they do not involve going sharply against the operation of the market forces. This cannot be said about the policy measures to pursue redistribution. Secondly, the socio-political consequences of redistribution can be put in a sharp focus when the question is posed in terms of countering the operation of the natural and the dominant forces in the process of growth in favour of redistribution. This serves to highlight the importance of politically "hard" policy options and their socio-political feasibility. This decomposition is presented in terms of per capita annual total expenditure in absolute terms in columns (7) to (9) and in percentage terms in columns (10) to (12) in Table 8 for the rural population and Table 9 for the urban population. For lack of space, we confine our attention to only a few salient and broad features. An interested reader may get additional insights by analysing these Tables in more detail.

Notice that pure redistribution seeks to bring about a reduction in the *per capita* annual expenditure of the rural population *ranging from* Rs 586 for the top 5 per cent to Rs 43 for the 8th decile or between 36 per cent (top 5 per cent) and 23 per cent (next 5 per cent) to 14 per cent (9th decile) and 6 per cent (8th decile) [Table 8, columns (7) and (10)]. For the urban population the postulated reduction ranges between Rs 771 (top 5 per cent) and Rs 33 (8th decile) in absolute terms and between 33 per cent (top 5 per cent), 20 per cent (next 5 per cent) and 12 per cent (9th decile) and 4 per cent (8th decile). Thus, *in proportionate* terms, the declines are steeper for the rural population than for the urban population. We may note that these declines have been worked out under the assumption that the urban-rural differential in per capita consumer expenditure is reduced from 1.36 in 1968-69 to 1.238 in 1978-79 which implies that the growth of per capita total expenditures of the urban population would have to be curbed through

the taxation and other measures much more stringently than that of the rural population. The redistribution exercise, on the other hand, implies stiffer curbs on the growth of the rural per capita total expenditure than for the rural population. These are mutually neutralising forces.

Finally, the aggregate financial implications of redistribution are indicated in column (13) of Table 8 (rural) and Table 9 (urban). The total sacrifice on the part of the upper 30 per cent of the population amounts to Rs 3,936 crores or roughly 9 per cent of the aggregate private consumer expenditure. Out of this total, Rs 2,936 crores or roughly three-fourths are postulated from the rural population and the remaining Rs 962 crores from the urban population. The fractile group-wise proportionate contribution to this sacrifice is summarised in Table 10 along with the postulated reduction in per capita total expenditure as compared to a situation without redistribution. From this Table, it is clear that the incidence of redistribution is expected to be borne mainly by the upper 20 per cent of the population and more so by the rural elite than their urban counterpart. The political importance of these sections of the population in the Indian context needs no special emphasis. They represent socially and politically dominant interests and it is futile to expect that they can be *induced voluntarily* to give up the fruits of the growth process. The crucial problems in the socio-political feasibility of the postulated level of redistribution become clear at this stage. When we turn to the choice of policy measures, on the basis of past experience, the picture becomes even more transparent. In view of the various concessions the farm lobby has been able to extract in the last few years and the dismal fate which the proposals of agricultural income and wealth tax have met, it appears well-nigh impossible to think of effective policy measures to curb the consumer expenditure (or income) of the rural elite. When it comes to the urban population that is covered extensively under the taxation net, the problems are no less though their contribution to total sacrifice comes to no more than 25 per cent. Evasion of direct and indirect taxes is known to be rampant. This along with the existing operation of a large multiplicity of direct controls and the current system of financing elections has led to the creation of unaccounted money in the large way that makes a mockery of the existing fiscal system and casts serious doubts on the government's ability to check the consumption of the well-to-do sections.

The Approach document after admitting that "purely fiscal devices are unlikely to make a substantial impact on the existing income differentials at the accrual stage" boldly maintains that "In the case of well-to-do sections, it is not the accrual of incomes that has to be controlled, provided that income is earned from legitimate sources (*sic*) as the disposition of accrued incomes" for which fiscal devices seem to be the only available policy instruments. In the same breath, it also proclaims that the "production pattern *must* be controlled in such a manner that inessential but expensive articles of consumption are not made available in the present stage of development" (Ch VI, para 11, pp 18-19). In view of the constraints imposed by the socio-political environment and the institutional framework of a mixed economy, one indeed awaits with eagerness for the policy frame that is promised in the final plan document for new socio-politically feasible policy measures to check effectively the consumption pattern of the upper 20 per cent of the population as also the composition of the output-mix in the private sector.

It appears that so long as the government's ability to make a significant dent on the size distribution of private wealth and means of production is limited in a mixed economy, its ability to check the accrual of private incomes as well as its disposition is at best indirect and mainly through fiscal devices. The effectiveness of the fiscal devices is corroded by the existence of direct controls and the corruption they have introduced as also by the irrational motley of exemptions brought into being by the socio-political pressures to soften the incidence of fiscal measures on the dominant interest groups. With this background, prospects of generating the resources for redistribution from the upper 20 per cent of the population appear bleak indeed. If this is in fact the case, the redistribution exercise is a non-starter. But granting for the moment that this is not the case, what policy measures are visualised to effect the transfer of resources to the bottom 30 per cent of the population? The following are listed in the Approach document:

(a) substantial additional opportunities for wage-employment in the non-agricultural sectors (pp 3-4),
(b) expanded, fuller and more productive self-employment opportunities in the agriculture, cottage industry, and road transport, trade and service sectors (p 4),
(c) land-reform measures (p 5),
(d) preventing indiscriminate mechanisation in agriculture (p 5),
(e) rural works programmes (p 6),
(f) special programmes such as SFDA and MFAL projects, crash schemes for rural unemployment and drought prone-areas programmes (p 6),
(g) national programme for minimum needs (Ch IV).

Of these programmes (a) and large parts of (b) are very much a function of general economic growth and not specifically designed for the poor. However, admittedly the possibilities of creating substantial additional wage employment "in the organised sector of the economy appear to be rather limited" (para 4, p 4). Recourse is then taken to construction and service sectors which have all along been the absorbers of surplus wage labour.

In the context of rural self-employment especially in Khadi and Village industries, a recent publication of Khadi and Village Industries Commission (1972a, pp 51-52) indicates that full-time as well as part-time employment provided by Khadi, after reaching a peak of 19 lakhs in 1965-66 dwindled to 9 lakhs (8 lakhs part-time and 1 lakh full-time workers) in 1970-71 whereas in village industries, the employment has increased very slowly from 8.75 lakh workers in 1965-66 to 10 lakh (1 lakh full-time and 9 lakh part-time) workers in 1970-71. In fact, their annual report (1972b) for 1970-71 presents the trends in physical production from 1956-57 to 1970-71 for some 18 commodities. Excepting for some 8 industries accounting for 2 lakh workers in 1970-71 for the production of the remaining industries (including Khadi), there appears a distinct decelerating tendency. The reasons for this are not clear but this phenomenon appears to be disconcerting from the point of view of creating additional employment opportunities of self-employment [see also Dantwala (1973) pp 46-51 in this context].

So far as rural unemployment mainly connected with agriculture is concerned, Raj Krishna in his perceptive analysis has clearly indicated that "the elimination of poverty is a much more gigantic undertaking than the elimination of the idleness of those who are available for work" and then he provides an operational classification of the poor requiring different policy treatments: the unemployables need income transfers incorporated in social insurance schemes, the self-employed (small farmers and artisans) need additional inputs, credit and knowledge: the employed need more effective unionism and the unemployed need work and/or means of production. [See Krishna (1973), p 6].[17] Prospects for these depend crucially on the institutional arrangements.

Coming to land reform measures, Minhas (1970) separating "realistic radicalism" from "political demagogy" reached the conclusion "By itself, a radical redistribution policy ... would not be able to solve the problem of poverty". Even within the limits in which land reforms could make a limited impact on poverty, their acceptance at the slogan level with a half-hearted implementation due to socio-political infeasibilities involved resulted largely in the eviction of small tenants, insecurity of tenure where it still persists, and the splitting of large ownership holdings among individual family members. Whatever little surplus land that has been available for redistribution, political contacts rather than poverty seems to be the criterion in allocation.[18] Actually, land reform measures provide an excellent example of a measure that was invoked in the name of the poor but its tardy implementation has left the poor possibly in worse situation than they were in its absence. With this record, it is either utter naivete or wilful ignorance of fact on the part of the Planning Commission to mention that "emphasis has been laid on land reform measures as a matter of high priority" (para 9, p 5). In either case, it is indefensible.

Preventing indiscriminate mechanisation in agriculture appears to be possible through credit and pricing policies, especially in the case of capital-intensive items like tractors. However, tractors act mainly as a substitute for drought animals and not labour. Relatively less capital intensive but more labour displacing items like mechanical harvestors would present problems as their production appears to be predominantly in the small-scale sector exempted from the indirect tax net.

After a long experience with the rural works programme every evaluation report has been narrating the same story for the last 15 years: lack of competent, non-power seeking rural leadership, red tape, audit obduracy, lack of interdepartmental co-ordination, if not active non-co-operation, bureaucratic ineptitude, lack of knowledge of local conditions, absence of prior survey and preparatory work. "Perhaps a report can be written even prior to the evaluation and the subsequent field investigations can be guaranteed to confirm it" [Dantwala (1973), p 44]. Even if some of these features can be corrected, we still "do not know how to integrate the rural works programme with the requirements of time, place, skill, aptitude, motivation and the social constraints of the excluded" (1972), p 2463. See also Krishna (1973, p 21).

The evaluation of the special schemes such as SFDA, MFAL and others has indicated that besides being very limited in their coverage their performance has not at all been satisfactory, the main reason for their failure being their routing through the existing rural institutions which act as "instruments in the hands of the power groups" [Jodha (1973), p 635. See also Planning Commission (1973b) and Dantwala (1973), pp 51-58, Rao and Acharlu (1972) in this context.]

So far as the minimum needs programme is concerned, it is as yet on paper and its evaluation is not possible at this stage.

The foregoing discussion suggests that the failure of the various measures for the removal of poverty has been basically due to two factors. First, the socio-political infeasibility of certain measures made them effectively non-starters. Second, even within the socio-political feasibility constraints, the measures which were sought to be routed through the existing institutional arrangements, the fact that the overwhelming part of the existing social, political, economic and administrative institutions favour the dominant interests and are biased against the weaker sections of the society led to their failure. There is considerable need for hard thinking on both these factors although the first factor as we have observed at the beginning of this section, is fundamentally a function of whether the political party in power can act independently of the existing dominant interests in the society.

As regards institutional arrangements, Raj Krishna (1973, p 20) cites two requirements of the success of a massive works programme: "a radical restructuring of the district development administration" with "strong and well-staffed Project Formulation Bureaus ... to prepare shelves of technically and economically sound projects"[19] and "the organisation of the unemployed, the landless, the crop-sharers and insecure tenants into militant unions to prevent the benefits to be pocketed by contractors, rich farmers, and petty bureaucrats through whom they are channelled". We may only comment briefly on the suggestion for unionisation. Successful unionisation requires two prerequisites: first, a holding capacity of the members and second, the homogeneity of interests. On both the counts Raj Krishna's suggestion appears to meet with many difficulties, though we agree with its desirability. The difficulties are compounded by the fact that at present in the prosperous agricultural tracts in the North and East, there are tensions between the local agricultural labourers and the labourers migrating from the backward regions in search of work.

Dantwala (1973) after carefully considering the various alternatives, concludes: "What is suggested is not abandonment of political action, but a deliberate tolerance of a countervailing force, not merely at a political level (parliamentary opposition) or a semi-political level (trade unions, co-operatives, etc) but also at the level of the people in the form of voluntary organisations" (p 62). He makes a strong argument for "an agreed policy of revival and reorientation of constructive work, entrusting it to voluntary agencies and giving them the financial, administrative and the technical support they may need, without impairing their autonomy" (p 64).

These suggestions, important as they are, are still in the nature of groping into unknown regions. The immediate fact is that such institutional arrangements do not exist on a large scale nor can the changes in the existing institutional framework be expected to be drastic over the next five years. To top it all, the important question of the socio-political feasibility still remains. In this situation one tends to agree helplessly with a humorist who wryly said while commenting on the "Economics of poverty and *vice-versa*" that "it is in the nature of the poor to always remain with us". As if realising the futility of the exercises, the Approach document itself provides a classic escape-route for the politicians in the form of a grand conclusion:

> "It follows that even if the reduction of inequality that may actually be achieved during the Fifth Plan period is much less than postulated in the preferred variant, while it will substantially slow down the progress towards the removal of po-

verty, the broad pattern of growth emerging from the preferred variant will not require major modification" (Ch VI, para 15, p 21).

This conclusion is derived from the invariance of the growth rates of output of the investment goods sectors to the specification of the inequality parameter. We have already investigated this phenomenon in detail in the last section and found that this statement is a direct consequence of the near block-angular structure of the input-output co-efficient matrix combined with a static input-output framework. The analytical framework being inappropriate in the Indian context, the above conclusion itself is unwarranted. However, independently of the model, this statement may be taken to be as an indication of the realisation on the part of the Planning Commission about the socio-political infeasibility of the major objective of the Fifth Plan.

VII

Conclusions

After presenting the model adopted by the Planning Commission in section II, we examined in section III, the institutional specification of the model and found it inappropriate in the Indian context. We then analysed in the context of an aggregate inconsistency in the Planning Commission's exercise, the tradeoffs between the accepted social objectives of growth, redistribution and self-reliance. Looked at from another angle, the same tradeoffs would arise if the resource mobilisation assumptions made in the Approach document prove overambitious and their transformation into appropriate composition of investment found difficult due to inadequate controllability over the composition and organisation of the private sector economic activity.

Even within the limitations imposed by the institutional specification adopted by the Planning Commission, we examined in section IV, the usefulness of the model in relation to the light it sheds on each social objective as well as the conflicts and complementarities among them. We reached the conclusion that the analytical rigidities as well as the weaknesses in the specification of different components of the model combined with the absence of well-worked alternatives with reference to redistribution and import substitution have prevented the model from being useful even within the limits imposed by the general static-input-output framework. They were also shown to lead to a situation of illusory paradise though devoid of any realism (by definition) where all the social objectives — growth, redistribution and self-reliance would turn out to be mutually reinforcing!

The numerical results of the model are a direct consequence of the numerical parametric specification whose closeness of approximation to reality provides a basis for judging the economic feasibility of social objectives. We investigated in section V, the empirical basis of the three most striking conclusions emerging from the numerical results. First, a sharp downward bias in the numerical specification of the consumption model was found to be responsible for the conclusion that a massive redistribution could be managed with an average annual 4 per cent growth rate of foodgrains output. The required average annual growth rate turned out to be at least 5 per cent on the basis of the alternative exercises presented there. Second, the parametric specification of the import-structure was found to be clumsy, empirically unstable and containing pronounced downward biases that were accentuated by the drastic import-substitution assumptions. The empirical basis of the feasibility of self-reliance is, therefore, shaky and biased. Thirdly, the claim regarding the invariance of the basic growth strategy to the specification of inequality was then scrutinised. It was found to hold in a restricted sense and was shown to be a direct consequence of the approximately block-angular structure of the input-output co-efficient matrix combined with a static input-output framework. It was then argued that the conclusion was certainly not warranted in an institutionally more appropriate framework.

The problems connected with the development of a co-ordinated policy-frame were discussed specifically with reference to the redistributive objective in section VI. The dangers of the procedure followed in the Approach document, *viz*, adopting a quantification of social objectives without simultaneously working out a policy-frame, were noted. Then the constraints on the policy-frame imposed by the past experience were indicated in the context of the adopted social objectives. In the face of the yawning credibility gap in the recent past between the avowed socialist intentions that remain at a superficial slogan level and the actual practice that is guided by short-term political convenience, any tall talk about 'Garibi Hatao' has become devoid of any substantive content. Besides this aspect of socio-political feasibility, the limited instruments for effecting the mechanism of income transfers and the lack of proper institutional arrangements were found to be the problematic factors that make the adopted level of redistribution infeasible in the light of past experience.

To recapitulate, the planning model underlying the Approach document has been found to be inadequate in its institutional specification (section III) and operationally unsatisfactory (section IV). The empirical basis for the three striking policy-oriented conclusions from it has been found to be a poor approximation to the realised experience in the recent past thereby making suspect their economic feasibility in practice (section V). Because of its inadequate institutional specification and the absence of simultaneously worked-out policy frame, the problems of evolving the policy measures *ex post* were shown to be practically very difficult (section VI).

In the light of these conclusions, it is not at all surprising that considerable dilution in the commitments on self-reliance and removal of poverty has appeared in the Draft Plan, although certain exogenous factors have been held responsible especially for throwing overboard the objective of self-reliance. Our analysis indicates that even in the absence of these exogenous factors, the pronounced biases in the numerical parametric specification, the inappropriate institutional specification of the model and the socio-political infeasibilities involved in working out the policy-frame *ex post facto* for the redistributive objective would have led to the same result. We would elaborate on this in a later paper.

Annexure

SECTORAL CLASSIFICATION FOR THE INPUT-OUTPUT TABLE

Sector No	Name of Sector
1	foodgrains
2	other agriculure
3	animal husbandry
4	plantation
5	forestry
6	coal
7	misc coal and misc petroleum products
8	iron orc
9	crude oil
10	other minerals
11	sugar and gur
12	vegetable oils
13	tea and coffee
14	other food products
15	cotton textiles
16	jute textiles
17	other textiles
18	miscellaneous textile products
19	wood products
20	paper and paper products
21	leather and leather products
22	rubber products
23	fertilisers
24	inorganic heavy chemicals
25	organic heavy chemicals
26	plastics
27	cosmetics and drugs
28	man-made fibre
29	other chemicals
30	petroleum
31	cement
32	refractories
33	other non-metallic mineral products
34	iron and steel
35	non-ferrous metals
36	bolts, nuts, etc.
37	metal containers
38	other metal products
39	ball-bearings
40	office and domestic equipment
41	agricultural equipment
42	machine tools
43	other machinery
44	electric motors
45	electric wires
46	electronics
47	batteries
48	electric household goods
49	radio
50	telephone and telegraph equipment
51	other electricals
52	motor cycles and bicycles
53	motor vehicles
54	ships and boats
55	aircraft
56	railway equipment
57	other transport equipment
58	watches and clocks
59	miscellaneous scientific and industrial instruments
60	other industries
61	printing
62	electricity
63	construction
64	railways
65	other transport
66	other services

Notes

[This is a shorter version of a more technical paper (see Tendulkar (1973)) that was presented to a seminar at the Indian Statistical Institute, New Delhi, on November 28, 1973. I am indebted to my colleagues Pranab Bardhan, V K Chetty, D Dasgupta, P Mallela, Kirit Parikh and especially T N Srinivasan for detailed comments and criticisms and to R N Kar for competent assistance. Ashok Rudra gave valuable suggestions for the present version. I am also grateful to S Chakravarty for making a copy of the Technical Note (April 1973) available to me, to K C Majumdar for supplying clarifications regarding the details in the Technical Note and to Nitin Desai for pointing out some double-counting in an earlier version of the Appendix in the present paper. I alone take the responsibility for the views expressed and the errors and shortcomings that persist.]

13 So far as agricultural tractors are concerned, this sector forms about 50 per cent of the total gross output of the sector agricultural implements according to the Annual Survey of Industries 1965. Hence 50 per cent of the import content of agricultural tractors may be taken as a realistic lower bound of the import content for agricultural implements assuming zero import content for other commodities in the sector. Even if we make a liberal assumption that agricultural implements include the traditional implements mostly produced in the unorganised sector, and that agricultural tractors form 10 per cent of the gross output, a liberal lower bound on the import content would be around 0.03 which is way above the one adopted by the Planning Commission.

14 See a comment by T N Krishnan (1973) on this point.

15 See Mukherjee (1972).

16 See Direct Taxes Enquiry committee (1971), Ch 2, esp, paragraphs 2.20-24, pp 9-11.

17 The discussion of unemployment in the Approach document (Ch III) does not provide any insights from the policy angle besides a repetition many times over of a three-fold categorisation: "the unemployed, the underemployed and the very thinly employed". One notes with amusement an almost virtual obsession with a a conceptually arid and operationally obtuse categorisation "very thinly employed" in this chapter.

18 These comments are in the nature of a summary of the evaluation studies of land reform measures surveyed by P C Joshi (not dated). Also see P K Bardhan (1970), D Narain (1973) and Ladejinsky (1972).

19 See Planning Commission (1973b) for a similar suggestion.

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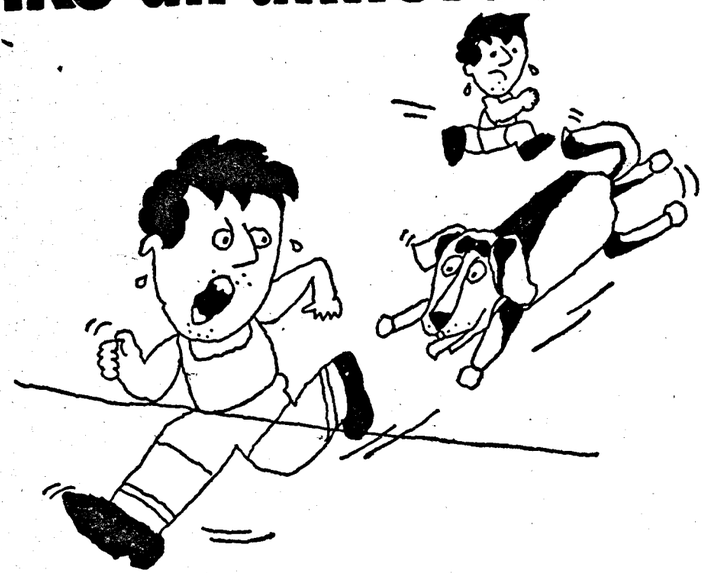
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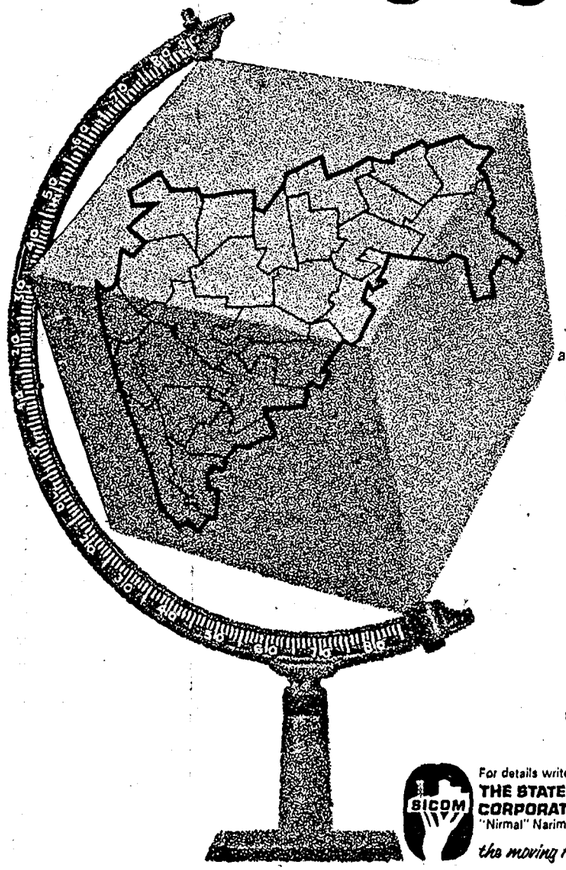


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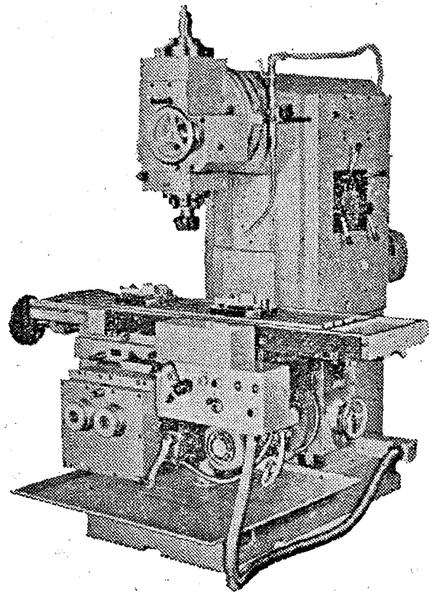
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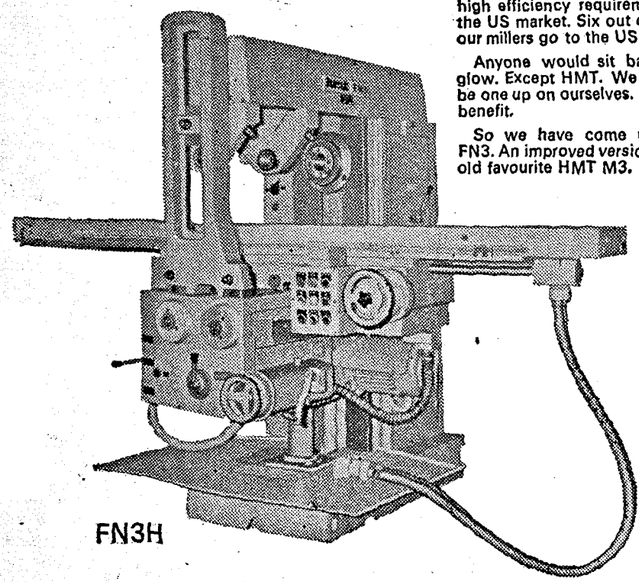
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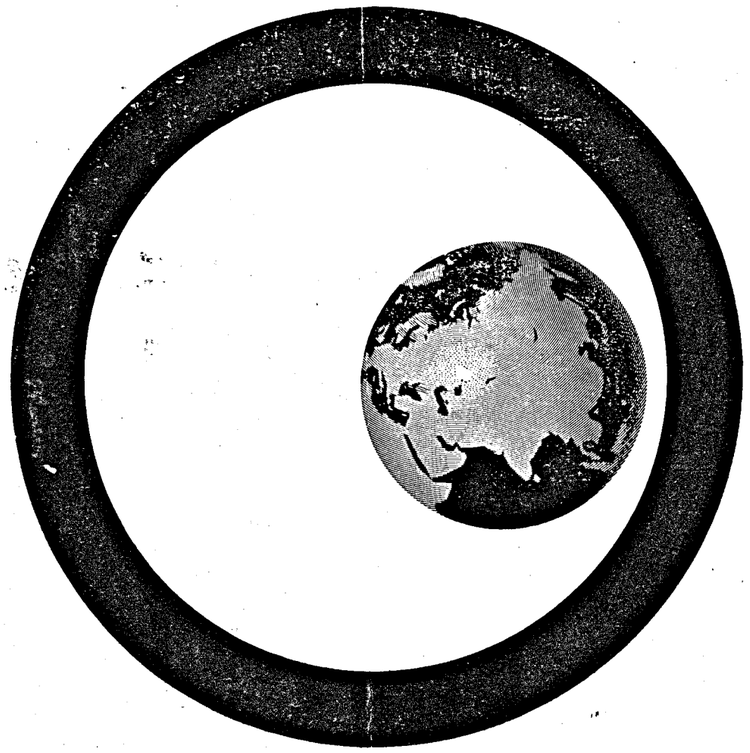
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Farce of Procurement

THE Central government's decision to advise the states to allow inter-state movement of coarse grains, albeit only on government account, marks the final abandonment of any serious attempt to procure coarse grains in the current kharif season. As it is, procurement of coarse cereals had been even more unsatisfactory than that of rice — only about 2 lakh tonnes having been procured so far against the target of 1.5 million tonnes. From now on the procurement agencies will have to bid not only against private traders but also against state governments which have been allowed to buy coarse cereals in other states at the prevailing market prices. The farce of procurement of coarse cereals might as well be given up altogether.

To get the picture in perspective, it is necessary to consider the reasons for the decision to relex curbs on movement of coarse grains. The step was taken in response to pressure from states like Maharashtra and Gujarat to which supplies of foodgrains out of Central stocks have not been sufficient recently to keep the public distribution system going. For instance, the ration quota in Bombay for the second fortnight of this month has had to be cut by almost a third from 3.5 kgs to 2.5 kgs. The Centre's inability to maintain supplies to the states stems from the insufficient stocks of foodgrains with it which, in turn, are the direct consequence of the dismal failure of wheat procurement in the last rabi season. State governments are now hoping to at least partially make up for the cut in Central supplies by making available coarse grains bought at market prices from the major producing states. The cumulative character of the failure to manage the food economy thus becomes clear. The inability to build up adequate stocks out of the rabi crop has now forced the government into moves which foretell a worse failure for the kharif procurement — of coarse grains, at any rate.

Not that the achievement in rice is going to be very much better. Against the target of 5 million tonnes, procurement so far is said to be only 2.8 million tonnes. Of this, again, almost one-half has been contributed by Punjab and Haryana, with the other states lagging far behind the targets set for them. In assessing this performance two facts have to be kept in mind: first, that this is supposed to have been a record rice crop, whereas in the past larger quantities have been procured out of very much smaller crops; and, second, that procurement prices had been raised by almost a third on the eve of the current season. Neither the larger crop nor the higher price thus appears to have had any effect on procurement. Market prices of rice are easily 25 to 30 per cent higher than those of last season, so that despite the sharp rise in procurement prices, the gap between them and the prices prevailing in the market has remained more or less unchanged.

How are the higher market prices despite the larger crop to be explained? There is nothing to suggest that there has taken place an unusual rise in the consumption of foodgrains. On the contrary, various indicators such as the stagnation of industrial investment and production and the slow growth of employment would suggest a shift in the distribution of real incomes adverse to the poorer sections of the population, a rise in whose incomes could be expected to lead to a marked rise in the consumption of foodgrains. In the absence of a sharp rise in consumption, the present levels of prices of foodgrains can be explained only in terms of large-scale withholding of stocks from the market by producers and traders. The ability of these two groups to finance larger stocks in the expectation of bidding up prices further has been appreciably augmented in recent years by higher prices, by the larger flow of institutional finance to agriculture and by the overall increase in liquidity in the economy. Expansion in money supply with the public at 7.3 per cent in the current financial year till December 28, 1973 was actually higher than in the same period last year. And despite the cut of Rs 400 crores in developmental expenditure and the windfall gains as a result of the enhanced excise duties on petroleum products, deficit financing bears no relationship to anything postulated in the budget for 1973-74. Net bank credit to the government expanded by another Rs 800 crores or 10.4 per cent in the current financial year till the end of December 1973 and bank credit to the commercial sector increased by Rs 745 crores (10.1 per cent), which was considerably higher than the figure of Rs 517 crores (8.2 per cent) for last year.

The full impact of the failure of procurement in the current kharif season will be felt in the coming months. If, as is feared, the size of the next rabi crops is significantly affected by the fertiliser shortage, then the first year of the Fifth Plan might see the virtual elimination of the government from foodgrains distribution. This would be an ironical beginning for a Plan which, on paper, sets such store by public distribution of mass consumption goods.

A Fernandes

ALPHONSO FERNANDES, the *Economic and Political Weekly*'s Business Manager, passed away at Calcutta after a heart attack in the early hours of the morning of Tuesday, the 22nd. He was 61.

After a colourful stint with the INA in Singapore and Malaya some years earlier, Fernandes joined *The Economic Weekly* in 1951 when that journal was barely two years old. Great as Sachin Chaudhuri was as an editor, he was strangely ill at ease handling the multifarious problems of production, distribution and financing of the journal. It was these tasks that Fernandes took over; and, despite heavy odds, he had the satisfaction of making the physical foundations of the journal strong enough for it to survive and grow for 17 years and thereafter to be reborn, after a break of a few months, as the *Economic and Political Weekly* in August 1966.

As Business Manager, Fernandes was, of course, the link between the journal and the world of advertising and advertisers. In *The Economic Weekly* he was equally the link between Sachin Chaudhuri and the loose organisation which sustained the journal, including not only the, always small, staff of regular employees but also the much larger group of active helpers. This brought him into contact with people of widely different temperaments, but he dealt with them all — whether this meant the despatch of a messenger to some far-off suburb of the city at some unearthly hour to pick up a piece of 'copy' or arranging an air or rail ticket at very short notice or a little help in getting round the prohibition laws — with quiet efficiency. He was, in the best sense of the term, *The Economic Weekly's* estate manager. Solid, a little hard of hearing and not excessively touchy — these qualities presumably stood him in good stead while dealing with contributors and subscribers as much as with the press, paper merchants, company managers and advertising agencies.

The onerousness of his formal responsibilities as Business Manager of a journal with a relatively small circulation was compounded by frequent editorial indifference to the general and particular sensitivities of advertisers. Yet even the most carping criticism of the most valued advertiser did not drive him to complain or despair. It was not just that he took it all in his stride; he was completely committed to whatever appeared in the journal of which he was a part. This stubborn loyalty contributed in large measure to the success of his efforts on the journal's behalf. An equally important contribution was made by his basic decency in interpersonal dealings which made it possible for him to successfully draw on even those who, quite frankly, did not care much for the journal's policies.

In a different way from Sachin Chaudhuri, Fernandes too had no world outside the journal. Yet, after his first wife's death in 1958, he reared four children to adulthood — even as he did *The Economic Weekly*. In 1972, after the children had been settled and *Economic and Political Weekly*, he felt had been put on a sound footing financially, he married a second time. It is sad beyond words that the unconcealed happiness which came to him as a result should have been cut short so abruptly.

For us the passing of Fernandes brings back the pain and the emptiness we had felt back in December 1966 with the death of Sachin Chaudhuri. We will miss the familiar figure, the calm manager, who made the office seem almost like a home with his orderly but affectionate house-keeping.

Prices

Eating the Plan Out

THE Planning Commission has clung to one particular point to justify its failure to take into account in the Draft Plan the price rise since 1972-73. Over the relevant period, the rise in the price level of capital goods has been much less than the rise in the general price index; the spiralling inflation, the Commission has therefore argued, might not vitiate significantly the assumptions in the Plan: it is the investment content of the Plan which is basic, and if the price level of investment goods has not been too greatly disturbed by developments of the past eighteen months, why get excessively worked up over the issue of the erosion of the resource base?

There can, however, be another aspect to the matter. If industrial prices, and particularly prices of machinery and eqpipment, have not risen as much as the general price index since 1972-73, to that extent prices of industrial raw materials as well as of foodgrains must have risen even more sharply than the latter; the data bear this out clearly. This being the case, in recent months the terms of trade have swung violently in favour of agriculture and against the industrial sector. A given sum of monetary resources now commands a considerably smaller volume of industrial raw materials and wage-goods than in 1972-73. As a result, the unit cost of production is bound to have risen in the industrial sector; as investment activity is in essence an embodiment of wage-goods, deployed either directly or indirectly, an outlay in money terms cannot but have a lower real content now compared to, say, a year ago.

Besides, if the price level of key industrial goods persistently lags behind the general rate of inflation, the possibility of a declining trend in the rate of industrial profits cannot be ruled out. This need not be a ubiquitous trend: consumer goods industries — such as sugar or textiles — might continue to bulge with profits. But, other things remaining the same, a sharp movement in the terms of trade against the capital-goods sector should lead to a downward shift in the rate of return at least in this sector.

Even were the Planning Commission to pour contempt on the orthodox doctrine that inflation' discourages autonomous investment, it cannot quite brush aside the terms-of-trade effect on the real content of the Plan's public investment programme — and on private capital formation induced by the latter, such as in the engineering industries. The Commission has promised a review of the resources position toward the end of the current fiscal year. The physical content of the draft Plan's crucial investment proposals could be saved only if this reappraisal leads to concrete actions paving the way for an enlargement of public savings. The prospects are however meagre.

There is little assurance that the authorities would be able to regulate public expenditure on the non-developmental account: the exigencies of the parliamentary system — witness the pies-in-the-sky being promised to the electorate in Uttar Pradesh — and the consequences of past indiscretions cannot simply be wished away. Other sources of revenue-raising are gradually running dry; the assumptions, about the role which could be played by public undertakings in aumenting their internal savings almost belong to the category of wishful thinking. A larger impost on agricultural holdings perhaps offers the only viable scope for raising additional public savings. But given the existing political alignments, which would not perhaps allow even a marginally stiffened levy on land holdings, savings over and beyond what have been assumed in the draft Plan are unlikely to come forth. The academic essay to which the draft has already been reduced would therefore prove to be unsalvageable.

Congress

Absentee Rulers

SIDDHARTHA SANKAR RAY took over as Chief Minister of West Bengal on March 20, 1972. Between that date and the fifteenth of this month, six hundred and sixty-six days have intervened. It may take some believing, but, during this period, the West Bengal chief minister was away in New Delhi on eighty-six different occasions, accounting for altogether three hundred and six days. The average length of stay in New Delhi per trip works out to 3.4 days. The number of trips per month being plus minus four, nearly a fortnight during each month has been spent by Ray in the nation's capital since the beginning of his tenure. The state's health resort, Darjeeling, has also emerged as a spot of great attraction for the chief minister: all told, he has been away there for thirty-nine days, spread over eight separate visits, in the course of the period under reference.

This is a new style in administration. The Madhya Pradesh chief minister, Prakash Chandra Sethi, has almost a comparable record: he too has interpreted his functioning as the head of the state cabinet as being synonymous with commuting to and from the nation's capital. Personality cult has replaced all other doctrines of administrative behaviour. The fountain of their power and glory, the chief ministers have come to the conclusion, is the Prime Minister: lobby with her, seek her directive on each single issue, big and small, and nobody could challenge your authority any more. It is therefore no longer considered necessary to toil and trouble on one's own at one's own seat of administration, to cope with the problems at the grassroots, to stay back and supervise the daily chores of administration or to oversee the progress of the various development projects in the state. Rather, at the slightest sign of difficulty or stress, the Congress chief ministers run to New Delhi and solicit a session with the Prime Minister. Inevitably, a new tribe of absentee chief ministers have come into being. If tensions surface within a state, if a minor problem in administration rears its head, or some local political issue threatens to create a slight tremor, the new doctrine demands that none of these need be sorted out at the state capital, or at the particular point or points within the state where they might have arisen. Each piffle of a problem has to be carried to New Delhi, and discussed 'at the highest level'.

The Prime Minister, as a political being, has to ascribe the country's present economic woes to the droughts and wars and refugees from Bangladesh; in her more recent speeches, the energy crisis has also come in handy as an alibi. The other equally important fact, namely, that many of the economic failures are on account of a deterioration in the quality of administration, in delays in decision-making, in the sheer incompetence, exhibited at different levels, to execute decisions finds no place in the Prime Minister's reckoning. There is a correlation between the style of functioning of the chief ministers and the declining quality of state administration. The reluctance of the chief ministers to stay at their posts without running to New Delhi even for a single week, and their inability to reach and implement decisions on their own, thoroughly demoralise the state bureaucracy. The apparent lack of self-confidence on the part of the chief ministers to tackle even minor issues corrodes their moral authority. At the other end, since each little problem, whether administrative or political, is wont to be referred to the Prime Minister, she must be literally inundated by minutiae, presumably leaving her with only limited time for those crucial matters of Statecraft which should receive her undivided attention.

Over the past few years, the Congress party has, understandably, nurtured the personality cult; it is the Prime Minister's personality which is the party's major — if not only — electoral asset. But the practice cuts both ways. Many of the organisational issues which in the past would have been taken care of by the functionaries of the party are now sent up to Indira Gandhi, and the status of the party President has been more or less reduced to that of a dummy. And as West Bengal's rather grotesque, but nonetheless concrete, example shows, an excessive dependence on the Prime Minister's power and glory may bring administration at the lower echelons to a screeching halt. A chief minister who is all the while hovering around South Block or Safdarjung Road will, for instance, have little time to think out the essential modalities for a successful procurement programme. It is going to be an unhappy harvest, even for the Congress, if the habit is persisted with.

Plan

False Upholstery

THE Plan outlay under the Fifth Five-Year Plan is to include, unlike in the previous Plans, the expenditure for replacements and for building up of inventories. In doing this, the Planning Commission has initiated a new principle. What are the grounds for this?

The generally accepted practice is to term as Plan investments only those investments which go to increase the total output of goods and services beyond the levels obtaining at the beginning of the Plan period. In other words, not all developmental expenditure can be termed Plan expenditure. Only that part of developmental expenditure which results in incremental benefits to the community — by way of the output of either goods or services — is called 'Plan outlay'. This definition follows from the argument that Plan efforts are those that take the country forward in its developmental efforts and not those that just maintain it at its present levels. Expenditure on mere maintenance of the existing levels of output and of social services, however essential it way be, would fall in the non-Plan category — even if it be classified as 'developmental'.

Consequently, outlay on replacements undertaken for plant and machinery installed in an earlier Plan period is not called Plan outlay, since it only helps to maintain the existing levels of production. To do otherwise is to sanction the possibility of a situation in which the outlay on the so-called Plan does not result in any increase in the capacity to produce goods and services.

In any case, inventory accumulation by itself can hardly be regarded as leading to greater production. Though it is not clear which types of inventories the Planning Commission has in mind for inclusion in the figure of outlay Plan,

it must be remembered that these are determined by working capital requirements. Since variations in inventory levels occur continuously such requirements are often financed with medium or short-term loans. Clearly, to term such requirements as investments under the Plan is far-fetched.

The present departure from the accepted concepts of planning thus defies fundamental considerations. Principles apart, such practices would introduce quite autonomous determinants of the magnitudes in Plan outlay. For instance, the outlay on replacements and on inventory increases are quite sizeable in the industries sector. In an industry such as coal mining, moreover, it would work out to about 20 per cent of the Plan outlay.

An outlay of Rs 600 crores for replacement and inventory increases has been assigned in the draft Fifth Five Year Plan (chapter 5, volume II) for the Central public sector units alone. Out of the total outlay of Rs 13,528 crores for industries in the draft outline, a sizeable chunk is to go only for replacements and inventories. Is this perhaps an attempt then to make-believe at a much bigger Plan than is really being undertaken?

Gujarat

Bullets for Bread

FOR more than a month now there have been serious riots all over Gujarat from Surat in the south to Palanpur in the north and Rajkot in the west. The rioting was set off, as seems to be becoming the rule, by police excesses in curbing separate agitations. In Morvi, a demonstration by the local engineering college students against increased mess charges was fired on by the police, leading to student morchas against police atrocities in Ahmedabad and other towns. Similarly, a Jan Sangh organised bandh led to violent police interference in Rajkot and other Saurashtra towns which in turn led to further rioting and clashes.

Over the last three weeks the rioting has taken a distinct turn. It has been directed against government and private grain godowns and shops and against state property such as buses. Price rises and food shortages have been the major causes of popular discontent. It is notable that there is no single party or group which has fanned this discontent. In fact, the opposition parties have played a relatively meek role in the agitation, the greater role being left to *ad hoc* or previously inconspicuous groups like student fronts or seva sanghs of various complexions.

In Bardoli, near Surat, the arrest under MISA of two prominent leaders of the Khedut Samaj, which is a powerful association of landlords and kulaks with its own private 'army' known as the Sardar Sena, led to violent disturbances against the government and against a group which works for the welfare of the area's landless labourers, most of whom are adivasis. This group, the Halpati Seva Sangh, retaliated against the brutal beating and stripping of its secretary, Arvind Desai, by raiding the godowns and property of some of the patidars (landlords).

The Khedut Samaj had been agitating for some months against the new land ceilings act which was finally passed last November and, more recently, was actively defying government attempts at compulsory procurement of a proportion of the paddy crop. It is most unlikely that the Chief Minister, Chimanbhai Patel, decided to deal firmly with such powerful lawbreakers as the two leaders of the Khedut Samaj, Dayaram Patel and Vallabhbhai Patel, for the sake of the downtrodden or for any 'socialist' principle. It is more likely that the Khedut Samaj had become associated with the factions within the state cabinet which have been working for the displacement of Chimanbhai Patel from the chief ministership; hence the arrest of the Khedut Samaj leaders and the police raids on the godowns of some rich farmers.

But considering that the Congress — and even more transparently, the Gujarat Congress — is closely involved with the rich and the powerful, especially in the rural areas, the forays against the kulaks and the traders were bound to come to an end. In fact, last week, the Gujarat government came out in its true colours when it announced the virtual ending of the government's takeover of the wholesale trade in wheat. Of course, this was done in the name of making foodgrains more easily and cheaply available to the people. No doubt, again in the name of the people, the compulsory levy of paddy will be quietly forgotten and the land ceilings act implemented as tardily as is the wish of the big farmers.

Poland

The Egalitarian Poor

Vinod Mehta writes:

SURVEYS on income differences in the socialist countries and on attitudes towards these differences and other such topics are usually not made public. Recently, however, the Polish Sociological Association made available a paper on "Attitudes of Employees from Warsaw Enterprises towards the Differentiation of Wages and the Social System in May 1958" by the late Polish socialist, Andrzej Malewski. This survey, though 16 years old, reveals some interesting points.

The questionnaire was sent to 5,000 workers, technicians, engineers, teachers and economists. Only 1,530 replied. Two important questions were asked in the survey. The first question asked respondents whether they were for relatively equal incomes or against them. The other question asked them whether they were for or against limiting income differences.

The survey revealed that 66.3 per cent of those who replied were for relatively equal incomes and 20.3 per cent against. The rest did not have any opinion on this question. Breakdown of the data according to type of employment showed that a great majority of workers, technicians, teachers and clerks were in favour of relatively equal incomes while a great majority of engineers were opposed to such egalitarianism. Similarly, on the question of limiting wage differences in Poland, workers, technicians, teachers and clerks — who generally earn low wages — favoured such a step while engineers — who usually earn higher wages — opposed it.

Those who were for such egalitarian ideas advanced six types of reasons which are arranged below in the perceived order of importance: income differences are unjust and opposed to the principles of socialism and democracy; everybody has the same 'stomach' (needs); income differences 'make people angry', cause discord between social groups; income differences must be eliminated to prevent the emergence of an elite group; too high wages cause 'spend-thriftness contrasting with the average situation of the people'; to improve the material situation of the poorest part of the population differences in income should be reduced.

Those who were against such egalitarianism, notably engineers, maintained that different kinds of work are not equal and better work ought to be better rewarded, and that wage differentials stimulate people to improve the quality of work.

The main conclusion of the paper is that people with the lowest wages express the strongest tendencies towards changing the *status quo* in the egalitarian direction while those with relatively high wages and with greater opportunities for further increases in wages are for the *status quo*.

In the Midst of a Revolution?

Romesh Thapar

IN Bombay city, wide sections of the population, the well-to-do and the not-so-well-to-do, are "thrilling" to the fact that the Prime Minister was denied entry. In Uttar Pradesh's towns, they are joking about the foundation stones which have been laid during the past few weeks. "There are so many that it would be possible to build another Taj with them". In Gujarat, one over-grown village after another is engulfed by the violence and looting which have swept in from the bigger towns. Daily, the newspapers bring us news of strikes, clashes, tear-gassing and shooting. We are certainly on the edge of major events.

Food is the immediate challenge. Despite record harvests, the foodgrains are not coming into the market. The charge is that despite price increases large-scale hoarding persists. Speculators seem to have the funds to manipulate the availability of many essentials. The official distribution machinery is rapidly being reduced to a farce, a farce best seen in the city of Bombay where the rice ration is a kilo a month per person — when in every street it is possible to buy everything in any quantity at unofficial prices.

Tangle of Contrary Pulls

Naive planners and bureaucrats, now engaged upon writing nonsense articles in popular magazines, imagine that weaker sections are being "protected" by the official foodgrains distribution machinery. This myth is fed into the receptive ears of the political leadership, even as the experts sit baffled by the phenomena of sudden shortages and high prices in a year of increasing supply. A web of dishonesty, a system of fabricating facts and situation surveys for the endless committee meetings which characterise government today, keeps decision-making in a tangle of contrary pulls. Everyone ploughs his own furrow, knows he is telling lies, but this is the style. The make-belief theorising of the ruling party has never been so removed from the reality that is India today.

When will we admit that the natural disciplines of the national market have been shattered by both massive speculation and political manipulation? If goods are not cornered by traders, there are the politicians to divert supplies to create artificial surpluses as in the North for the Uttar Pradesh elections. The disruption of the national market in food is now total with the catastrophic failure of the official food distribution machinery. Refusal to face this central fact of our crisis is pushing the country into a continuing trauma.

Yes, politically, the decision must be taken to free the movement of foodgrains over the entire country. To keep foodgrains "captive" in surplus areas to assist procurement has become self-defeating. When the foodgrains move across state borders, prices in the free market will find their own level — and very much below the present blackmarket rate. There is more food in the country than ever before. Of course, the speculators may still speculate. Well, then, crack down simultaneously on black money. This is not difficult. Only the smugglers, speculators and politicians will be poorer. Let us take two steps in one, and without wasting any more time.

As for the rest of the economy, there's little point in theorising until we know what the energy bill is going to be. The emphasis should be on getting more than a hundred per cent out of the existing industrial capacities, with particular emphasis on those industries which are vital to agriculture. The way international currents are shaping, and with the disengagement of Arab and Israeli forces, it should be possible to get to grips with the oil price within the next few months.

There is a fairly solid body of opinion which is beginning to express itself against the holding of frequent elections in the states. These elections, now caricatured by the use of extraordinary funds raised from the smugglers and speculators, are destroying our capacity to cope with problems. If the Congress Party does not want to dig its grave, it had better do an about-turn on its favourite system of highly-financed electioneering. In any case, the necessary assault on black money should solve the problem for a while.

Major Confrontation

Of course, even as we feel the gathering of an explosive crisis, the thought does occur that whatever we may do the situation will remain tension-packed. We are obviously in the midst of a revolution — Indian style! A major confrontation is developing at two broad levels, within the Haves and between Haves and Have-nots. The strikes, described as "anti-people" by sections of the Left, are a reflection of the first level of confrontation. The second level is seen in the Dalit struggle in Bombay and the upsurge in Gujarat. To permit both confrontations simultaneously is to invite political disaster. And, therefore, the attempt to discipline opportunist trade union activity.

However, the scale of deterioration in the situation is such that over the past six months — that is, within two years of the so-called "Indira wave" — the ruling party is facing a noticeable isolation in urban India. Reports from Uttar Pradesh, not published in the press because of fears of newsprint

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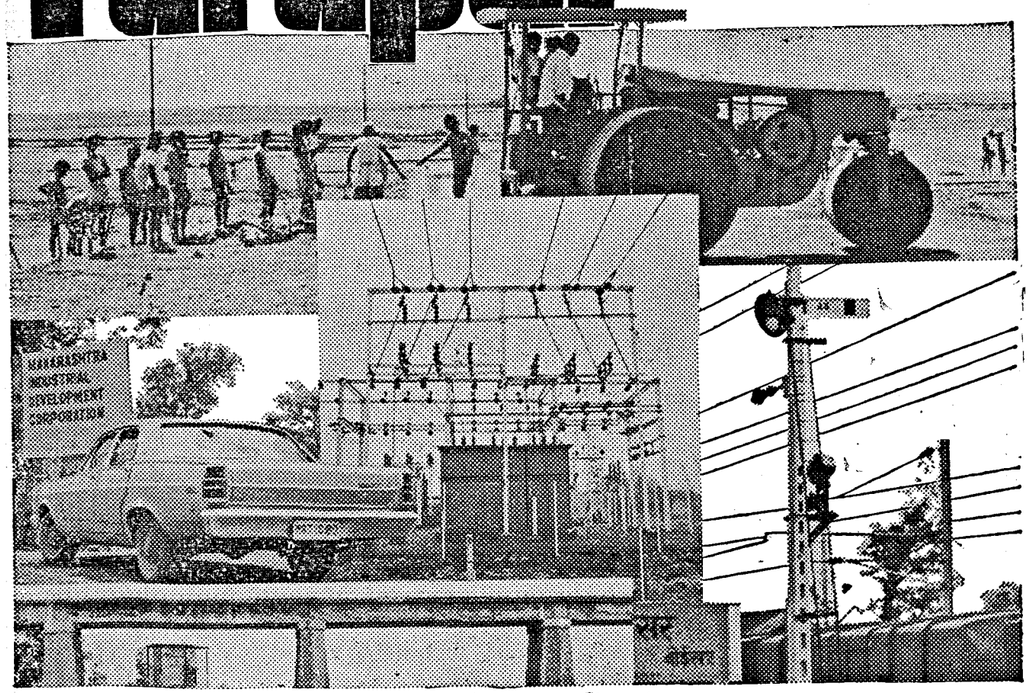
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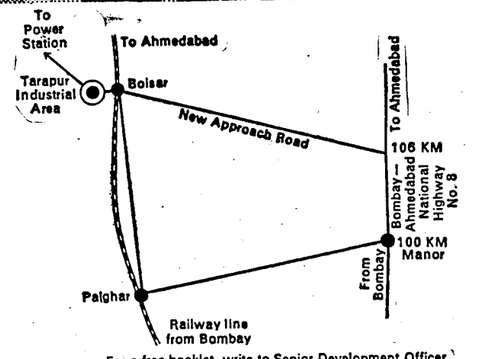
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cuts, clearly indicate a developing swing against the Congress Party. Forecasts at the moment are suggesting only a marginal majority which could be easily eroded through factionalism and political horse-trading. The Congress Party continues to talk of 275 seats because it refuses to accept its growing urban isolation and the sizeable defection of the Muslim vote. And we have yet to see what happens to those who have been denied Congress tickets.

But whatever the result, the elections in Uttar Pradesh will be described as a costly farce.

In the capital, which is so untypical of the rest of the country, we keep hoping that the political leadership will be able to rally enough courage to adopt a packet of down-to-earth emergency decisions, revolution or no revolution.

January 21

Calcutta Diary

A M

NO apologies need be proffered for continuing with the theme of the season, but let there be a shift from the general to the particular, from the problem of procurement at the national level to the woes of procurement in this state. Production of rice in West Bengal in the current year is supposed to have exceeded all past records: a crop of seven million tonnes, the people have been informed with a triumphant wink. One can see how the output of rice in the state has moved up and down during the decade: it was 5.8 million tonnes in 1964-65, but came down to 4.9 million and 4.8 million respectively in the drought years of 1965-66 and 1966-67, rose to 5.2 million in 1967-68, galloped to 6.2 million in 1968-69; from then on, it has been 6.4 million in 1969-70, 6.1 million in 1970-71, 6.5 million in 1971-72 and 5.7 million in 1972-73. And now, in 1973-74, the output is supposed to have scaled the glorious height of seven million tonnes. Procurement of the grain has however maintained no relationship at all to the trend in production. In 1964-65, procurement was 335,000 tonnes; despite the drought, P C Sen in his innocence was able to push it up to 584,000 tonnes in 1965-66. Next year, procurement fell to 123,000 tonnes, but was again up, to 265,000 tonnes, in 1967-68. Largely because of the efforts of the United Front administration, it was once more as high as 434,000 tonnes in 1968-69 and 411,000 tonnes in 1969-70. Under President's rule, the purchase of rice slided back to 266,000 tonnes in 1970-71 and stayed at around 250,000 tonnes in the following year. In 1972-73, with political stability allegedly fully restored in the state and a Congress government re-installed in power, procurement dropped further, by as much as 100,000 tonnes compared to the previous year, and was only 150,000 tonnes. In the current year, never mind the record output, hardly 60,000 tonnes have been procured till the middle of January. The only issue that seems left to be determined is whether, as the season closes, total procurement would be even lower than what it was in 1966-67. The year with the decade's highest output could thus indeed also be the year with the decade's lowest procurement.

Species of Make-Believe

Before the season began, the state government had fixed a procurement target of 500,000 tonnes, about seven per cent of the estimated output. Some amongst the amateurish ones within the ruling party had then claimed that the target was too low, at least ten per cent of the production ought to be commandeered by the State. These days of naivete were soon dissipated. The bulk of the rice has already been harvested. The peak of the marketing season is over. Each day, newspapers are full of some fresh measures of cordoning and dehoarding proposed by the authorities. But these belong to the species of make-believe. The bird has already flown; it is now too late in the day to do anything to reach anywhere near to the procurement target.

Of the total target of 500,000 tonnes, the rice mills were supposed to deliver 360,000 tonnes; the rest was to be collected through a levy on the big producers. Till last week, the rice mills have handed over hardly 20,000 tonnes. If you go round the countryside and visit the *mandis*, you will find the mills apparently all lying idle. They have, you will be told, no custom this year; despite the sharp increase in the procurement prices of rice and paddy, the latter are still 25 to 30 per cent lower than market prices; nobody therefore chooses to deliver the paddy to the rice mills; the paddy goes to the hullers, who are innumerable, and to the thousands of husking contraptions in private households. This however is only one part of the story, for one also hears of rice mills which work, clandestinely, at nights, under the benign patronage of the local political boss. There is also the general environment in the countryside to be considered. The agent of the Food Corporation, poor creature, will have to run for dear life if he tries any funny tricks. Since he cannot collect from the rice mills, he dares not even collect the levy from the big farmers. And those who have been called upon to pay the levy have merely put the squeeze on the share-croppers for some more grain. All told, it is a bizzare situation. You wanted stability; it is now there: from village after village, the trouble-makers, the leftists, have been driven out; neither the share-croppers nor the landless labourers can any longer afford to make even a squeak; the Congress party's sway is complete. Yet, none of these is of any help; procurement is perfunctory. Naturally, certain consequences have followed. It is only January, but the public distribution system is already under strain in many areas in the state: its total collapse is being feared in the lean months.

Auto-Regressive Quality

For there is a certain auto-regressive quality in what is happening. Procurement is poor, supplies from the Centre are fitful, therefore everybody is predicting a collapse of the public distribution system in the coming months. But precisely on account of that, each and all — big farmers, small farmers, big traders, small traders, urban housewives, peasant women — are trying to stock up. In the countryside, the most impoverished ones too have started to sell trinkets and utensils in order to have cash with which to buy some cereals for the drier days that are acoming. Petty clerks in towns are borrowing from their provident funds for the same purpose: stock up, stock up, food would be still scarcer in the lean season, the government would not be able to help, so do stock up now whatever little you can. Since nearly everybody is gripped by this psychosis, the price shoots up even more in

the market, and so much less is available for procurement: what starts as a scare soon turns into a panic, and the panic soon assumes the corpus of an inevitable doom.

In all this, one can hardly ignore the class composition of the Congress party in the countryside. The rich farmers and traders continue to form the solid, enduring core of the party; they have lived through the nightmare of the leftist jackals; but now that a dazzling day has followed that grim interregnum, let them, for a while, breathe the free, non-claustrophobic air. It is sheer ingratitude to ask them to disgorge their stocks. True, procurement prices have been raised, but market prices have also jumped. True, traders and farmers cannot claim the entire credit for the rise in market prices; the government, through its various policies, has also helped a great deal. But, after all, it is *their* government, it is its bounden duty to keep prices high so that *they* could widen their rate of return. Is it natural justice, they would ask, for their own government to press them to sell the grain to the Food Corporation at a laughably low price when it can fetch at least forty to fifty per cent more in the open market? To bully them to do so would be an un-Congress-like act, a CPM-ish exploitation. The Congress is there to support and protect the affluent; the whimsies of those talking in leftist jargon must not be allowed to harm the interests of the party's original, essential class base.

Internecine Warfare

But this is by now a commonplace: about everybody knows that it is difficult for the ruling party to alienate the rich farmers and traders. There is however something else too happening in the countryside and which makes it altogether impossible to enforce a rigorous programme of procurement. The young, unemployed ones on whose strength the Congress has returned to power in this state are not to be scoffed at. It is they who, with the active connivance of the forces of law and order, combined most effectively with the elements of the underworld and squeezed out the leftists from their traditional bases. Two seasons ago, they were promised a lot: once the Congress rule was restored and stability returned to the state, milk and honey would start flowing, industries would revive, agriculture would flourish, opportunities would multiply, banks would offer saturation credit to the self-employed, there would be a thousand new schemes for the expansion of jobs and incomes, it would be a golden Bengal. The performance of the Congress ministry, installed in March 1972 following the decimation of the leftists, has been anti-climatic beyond measure. The young ones who were promised work and prosperity find that things are now much worse. A handful, who are either close to ministers or have come to handle the party's funds, have managed to flourish. But the vast majority are left out. Envy has sprouted, and the youth wing of the Congress is now riven by wide, sharp divisions. The guns and bombs are out; almost every day, there is internecine warfare, accompanied by one or two murders. Attempts to patch up the differences have failed. The party's leaders are finding it extremely difficult to cope with the wrath of the disillusioned cadres.

Secret Network

A large number from amongst them have decided to fend for themselves. Procurement can never succeed in the state because the young ones — mostly from middle class and lower middle class homes — who now constitute the Congress party's stormtroopers are also those who run the state-wide operations in smuggled rice. From the lush villages to the not-so-lush ones, from the surplus districts to the deficit ones, from the countryside into the areas covered by statutory rationing, from across the state border into the isolated high-price belts in Bihar such as Jamshedpur, Sindri and Barauni, lies the rice route, completely taken over by the Congress rank and file, either on their own or on commission from the more exalted ones. Some months ago, there was much high falutin' talk of fifty thousand young Congress workers who would help the official agents in the procurement operations. On a rough reckoning, fifty thousand Congress workers are in fact at the moment blanketing the West Bengal countryside: they are however on the other side of the operations. Each such person is perhaps either directly engaged in smuggling, or has entered into an arrangement with a trader to ensure the safe movement of smuggled rice within a particular police station. The terms apparently are arranged in advance. For permitting untrammelled movement over a distance of ten miles, the levy to be paid per quintal of rice is maybe seven rupees for a Congress worker and three rupees for the minions of the police. This is all part of a secret network, but it has its own logistics, decentralised operational commands and signalling arrangements. The overheads and the operational costs are neatly spread across the total turnover. If, to reach the cordoned area of Calcutta, a quintal of rice has to be transported over a distance of forty miles, obviously forty rupees will now be added to the price over and above to what is quoted in the village market from where the rice originates.

No Lack of Demand

This relay system of smuggling is maintained through headloads, and through movements in cycles, boats, trains, occasionally even trucks. It is a regular full-fledged operation and, in some senses, more efficient than the officially maintained public distribution. In areas notionally covered by statutory rationing, such as Calcutta and Durgapur, the actual delivery of rice through this network in some weeks even exceeds what the consumers are able to get from the ration shops. They of course have to pay two and a half to three times the price charged in the ration shop, but given both the current shortage and the spectre of famine five or six months hence, there is no lack of demand. In the so-called 'fringe' areas not served by statutory rationing, where the supply through the fair price shops has almost totally collapsed, it is in fact the bounty of the smugglers which is providing the daily bread to a large majority of the people.

This is a precarious equilibrium which you cannot afford to disturb. Something, somewhere has got to give: political stability of a kind has been thrust back on West Bengal, the leftists have been hounded out; a price however has to be paid. Since, in the absence of jobs, the young ones who, with their guns and bombs, enabled the Congress to come back to power have somehow to be kept happy, they must be given an extra cut by traders, farmers — and the authorities. The urban and semi-urban consumers should not complain either: at least a surrogate has filled in for a government which has stopped functioning. And those unable to buy the cereals at the price quoted by smugglers have the freedom to starve: it is, after all, not such a new phenomenon in this country.

Not Out of the Woods

Hansavivek

JESSOP, which had experienced a decline in sales in the last few years, reversed this trend in the 17 months ended March 1973 when its average monthly sale increased to Rs 126 lakhs against Rs 67 lakhs in the previous 12 months. Considering the total capital employed in business, however, even this increased turnover is quite low. Worse still, the company has incurred a higher loss, lifting the accumulated deficit to Rs 9.87 crores to stand against the total paid-up capital of Rs 2.24 crores. Dividends have been skipped once again. Arrears of preference dividends amounted to about Rs 6 lakhs. Liability for gratuity to employees was estimated at Rs 198 lakhs, but that for pension has not been determined. As per the usual practice, retirement gratuity and pension to employees have been debited to profit and loss account on cash basis. Also, no provision has been made in the accounts for anticipated losses on orders in hand for which work is still to be done. Anticipated losses on such major orders have been estimated at Rs 3.47 crores. Interest on government loans has been provided at 6.25 per cent per annum on Rs 2.50 crores and at 6.75 per cent per annum on Rs 8.98 crores. Interest amounting to Rs 25 lakhs due to non-payment on scheduled dates has not been provided for, as the company has approached the government for its waiver.

Consequent to the purchase of 2,000 preference shares from LIC by the President of India, the company has become a government company from April 1 last. The company's borrowings have been mounting. After the year-end, the company received further financial assistance from the government of India to the tune of Rs 4.20 crores, taking the total cash assistance from that source to Rs 15.68 crores. These are unsecured loans and the government has the right to convert them into equity. While the company's application for increase in the cash-credit limit by Rs 2 crores to finance inventory build-up is being considered by the State Bank of India, Rs 50 lakhs have been granted as an interim measure. The bank has also accommodated the company with bridging finance to meet various commitments. Government has also approved the steelworks duty crane project involving a capital expenditure of Rs 3.20 crores to be given as a loan. The company has taken on hand this project as also other programmes of diversification, expansion and modernisation besides routine replacement of plant and machinery. Net expenditure on capital account amounted to Rs 125 lakhs against Rs 28 lakhs in the previous year.

ALKALI AND CHEMICAL is hopeful that it will soon get industrial licences for manufacture of pharmaceu-

The Week's Companies

(Rs in Lakhs)

	Jessop and Co		Alkali and Chemical		Steel and Allied		Bagalkot Udyog	
	Latest Year 31-3-73	Last Year 31-10-71	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-6-73	Last Year 30-6-72	Latest Year 30-6-73	Last Year 30-6-72
Paid-up capital	224	224	465	465	122	122	100	100
Reserves	49	58	293	277	67	55	228	239
Borrowings	2890	1514	669	672	340	282	167	199
of which Term borrowings	1184	500	—	—	154	139	57	62
Gross fixed assets	1076	1022	1696	1687	353	331	618	621
Net fixed assets	582	525	552	633	244	240	414	417
Investments	76	76	6	6	5	5	2	24
Current liabilities	1079	456	548	440	45	57	139	135
Current assets	2597	1219	1417	1215	336	281	214	227
Stocks	1899	689	795	686	205	186	72	108
Book debts	688	524	607	480	121	84	139	117
Net sales	2138	809	2810	2441	312	261	374	375
Other income	1	—	70	47	7	5	1	2
Raw material costs	1074	545	1261	1045	100	89	24	20
Wages	845	461	441	400	101	88	53	59
Interest	266	105	74	65	30	26	23	23
Gross profit (+)/loss(—)	—460	—480	394	340	31	37	—	12
Depreciation provision	68	44	96	92	19	16	—	23
Tax provision	—	—	204	170	—	1	—	—
Net profit(+)/loss(—)	—528	—524	94	78	12	20	—	—11
Development rebate provision	—	—	1	3	12	20	—	12
Transfer to reserves	—	—	15	—	—	—	—	—
Dividend	—	—	P 2	2	P —	—	P —	—
Amount	—	—	E 76	76	E —	—	E —	—
	—	—	P 6.5	6.5	P —	—	P —	—
Rate (per cent)	—	—	E17.50	17.50	E —	—		
Cover (times)	—	—	1.20	0.96	—	—	E —	—
Ratios (per cent)								
Gross profit/sales	—	—	14.02	13.93	9.94	14.17	—	3.20
Net profit/capital employed	—	—	6.59	5.52	2.27	4.36	—	—
Inventories/sales	88.82	85.16	28.59	28.10	65.70	71.21	19.25	28.27
Wages/sales	39.06	57.00	15.70	16.40	32.37	34.10	14.17	15.74

° 17 months

ticals, 'Gramoxone' and expansion of rubber chemicals and has, in anticipation, applied to the Tamil Nadu government to purchase sites for the first two of these projects. During the year to September last, the company produced good results with higher sales and profits. The improvement in working results was due mainly to better utilisation of plant capacities and higher productivity, though benefits resulting from these achievements were partly offset by increases in raw material costs. Further improvements in plant availability have been made to achieve a record production of polythene. A 'token' increase in prices had to be made "to partly offset the substantially higher cost of imported alcohol". Demand for polythene continued to be far in excess of supplies. Production of paints at Rishra and Hyderabad was maintained at levels necessary to support the growth in trade and industrial demands, but export production suffered on account of shortage of rutile titanium dioxide. Power shortage and labour problems experienced by the rubber industry throughout the country reduced demand for rubber chemicals, but the company was able to maintain its position in the market. Production of caustic soda and chlorine was maintained at levels higher than last year. Demand for the company's drugs has grown rapidly. Lack of essential imported raw materials forced postponement of deliveries against several export orders for paints. Likewise, shipments of rubber chemicals to important South-East Asian markets continued to be affected because of the reluctance of shipping companies to accept such cargoes for one reason or other. The sudden exclusion of these chemicals from the trade plan with Russia also resulted in loss of an important market which had been developed at considerable cost and technical effort.

STEEL AND ALLIED PRODUCTS experienced a marked contraction of margins during the year ended June last, despite increase in turnover. This outcome is ascribed to inflationary rise in costs without corresponding increase in realisation. While factory number one continued to work satisfactorily, production at the unit number two showed little improvement "in spite of considerable rise in wages and other benefits given to the employees". A lock-out was declared in this factory from mid-August 1973 due to "persistent go-slow, illegal tool-down and other unlawful activities". The entire net profit of about Rs 12 lakhs has been transferred to the development rebate reserve to make good the arrears. Dividends have been once again skipped. Arrears of preference dividends exceeded Rs 16 lakhs. No provision has been made in the accounts for gratuity liability, nor has the accumulated liability on this account for the 22-year-old company been determined. Owing to appreciation in the rate of exchange of DMs, the company's liability to IFCI in respect of the DM loan increased by over Rs 17 lakhs. The subsidiary, Anglo American Marine, has shifted the site of its gear hobs project from Poona to Aurangabad to avail of various incentives offered by government.

BAGALKOT UDYOG's board had indicated in a note on the balance sheet as at June 30, 1972 that there appeared to be some shortage in stock of clinker and that the adjustment would be made in the accounts after an investigation. The investigation revealed that there was a difference of 18,168 tonnes valued at about Rs 17 lakhs between the book figure and actual stock. This amount has been adjusted in the 1972-73 accounts and it is stated that "this difference arose mainly due to the fact that the formula applied for conversion of slurry into clinker in the earlier years resulted into an assumption that more clinker was being produced than the actual production". The company has also shown a loss of about Rs 5 lakhs on sale of certain investments. As a result of these two items, the accounts showed an adverse balance of Rs 9 lakhs which has been erased by transferring a like amount from the general reserve. Depreciation amounting to Rs 16 lakhs on the straight-line method has not been provided for in the accounts. Also, no account has been taken of the future gratuity liability, nor has the liability been ascertained. There is a contingent liability of a government claim for royalty in respect of limestone and clay amounting to about Rs 10 lakhs, which is disputed by the company. During the 12 months ended June last, the company produced 1,98,145 tonnes of clinker and 2,68,760 tonnes of cement against 2,54,905 tonnes and 2,76,845 tonnes, respectively, in the preceding 15 months. Despatches of cement were 2,68,241 tonnes aagainst 2,79,315 tonnes. The management complains that production costs have continued to rise. The company has been issued a 'letter of intent' for expansion of capacity by 90,000 tonnes per annum by converting the existing kiln from wet process to dry process. An application has been made to government for permission to instal a separate dry process plant. The Bagalkot municipality has filed a suit against the company alleging that dust emission from one of its stacks is hazardous to the health of the citizens.

BARODA RAYON has become a big complex, as a result of the merger with it of Gujarat Polyamides. It produces annually 3,000 tonnes of filament rayon yarn, besides turning out daily 40 tonnes of sulphuric acid, 5 tonnes of carbon disulphide and 10 tonnes of sodium sulphate. It has its own 500-kw power plant based on coal. And now it will produce annually 1,800 tonnes of nylon yarn. In this plant, inaugurated recently, provision has been made to take on additional loads with expansion in the future or, with slight modifications, to switch over to polyester fibre. The plant has been supplied by Snia Viscosa of Italy, a leader in the field of man-made fibres, which is now the second largest shareholder of BRC. Mitsubishi and Asahi Chemicals, two other big names, rank third and fourth amongst 42,000 shareholders of the Indian company. Presidents of both Snia and Asahi are also on the board of BRC. With these influential connections in the international field, it is expected that the nylon plant will perform very well. Snia and Mitsubishi have already given to BRC 300 tonnes and 100 tonnes of caprolactum, respectively, which, in the prevailing acute world-wide shortage of this essential raw material, is of great help to the infant plant. BRC's management believes that the products of this plant will match the world's best in quality.

PRECISION BEARINGS INDIA, which makes ball and cylindrical roller bearings, has secured a 'letter of intent' for manufacture of 18,000 numbers of spherical roller bearings. These bearings, to be manufactured for the first time in the country, are specially used by railways, steel plants, cement factories, paper mills and other heavy industries. The project, estimated to cost Rs 170 lakhs, is expected to be completed by August 1975. On full utilisation, the new plant is estimated to add Rs 470 lakhs to the company's turnover which was around Rs 330 lakhs in the year ended August 1973. Meanwhile, installed capacity at the existing plant has been stepped up to 28.82 lakh numbers per annum, which alone should lift the turnover to around Rs 500 lakhs. It is also proposed to modernise part of the existing plant for which an application will soon be submitted to government. As an interim measure, reconditioning of the machinery is in progress. The first phase of modernisation is likely to be over by 1975-76. The entire scheme of expansion and modernisation will involve capital outlay of Rs 450 lakhs, including Rs 215 lakhs in foreign exchange.

WEST BENGAL

Despite the INTUC

DURING the good old colonial days, the Indian Jute Mills Association (IJMA), led by the British jute magnates, was reckoned as the real government of Bengal; a general strike by the jute textile workers was therefore deemed to be little short of a rebellion. However, much water has flowed down the Hooghly in the past quarter of a century, and many significant changes have occurred in the political and industrial contours of this state. Most jute mills have passed from European hands into Indian ones, particularly of Marwari business houses; the white managers have gone home, leaving their spacious and beautiful bungalows on both banks of the Hooghly to their brown brethren; and, more importantly, the weightage of jute textiles in the industrial matrix of the state has declined appreciably as a result of the growth of other industries, particularly of engineering industries.

Secret Conclaves

But what has survived is the misery of the jute textile workers and the jute-growing peasants. The workers still have to live in the same 8 ft by 6 ft hovels — which, way back in 1937, had excited Jawaharlal Nehru into the outburst that they deserved to be blown up with dynamite —, and they have still to subsist on lowly wages. The growers of raw jute for their part are still deprived of a fair price — thanks to the manipulation of the market by the millowners and their benami agencies — in a market that forces them to part with their crop at Rs 30 to Rs 45 a maund though the floor price fixed by the government is Rs 58 a maund. The open tie-up between Clive Street and Writer's Building may have dissolved, but it is now the Marwari big business which wields a large measure of power in the state, particularly through the secret conclaves of the ruling party bosses.

And yet, a silent revolution must have occurred in the sooty hovels of the more than 250,000 jute textile workers. For, they contemptuously decided to ignore the government-sponsored midnight agreement between the IJMA bosses and the INTUC leadership, and to join almost to a man the general strike sponsored by the six trade union centres headed by CPI(M)'s CITU and CPI's AITUC. This is the more striking because the INTUC had always been regarded as a major force among the traditionally pro-Congress jute-mill workers of West Bengal of whom by far the great majority are from outside the state.

In their initial bewilderment at this unexpected rejection of their leadership, the INTUC leaders tried to ascribe the turn of events to a 'communication gap' — *viz*, to their failure to acquaint the workers with the facts and terms of the settlement which was reached in the early hours of January 13-14. However, their subsequent efforts to bridge the so-called communication gap, though these were powerfully aided by All-India Radio and the establishment Press, failed to have any visible impact on the strike situation. Indeed, in complete disregard of the fiat of the INTUC leadership and the exhortations of the ruling Congress party and the government, vast masses of hitherto pro-Congress workers and large sections of local INTUC and Congress activists have worked unitedly with the striking trade unions — including those belonging to the CPI(M)-led CITU — for the success of their struggle. The close liaison between CITU and AITUC, has helped underpin the jute workers determination to bypass the subservient leadership of INTUC which has taken the workers for granted and bartered away their vital interests.

Demands Rejected

The present general strike, which started on January 14, 1974, is the culmination of a long process of a united campaign — in which the INTUC, too, played an important part. In fact, all the trade unions, including the INTUC, which had attended the tripartite meeting convened in New Delhi by the Union Labour Minister on December 18 and 19, 1973, decided unanimously to reject the petty concessions offered by the millowners and to go on a strike as from January 14. Indeed, identical strike notices were served on the managements, as well as on the government, by all the trade unions.

Earlier, on November 5, INTUC had even taken part along with other unions in a one-day, token, general strike. It is still a mystery what eventually persuaded the INTUC leaders to back out at zero hour. What is even more striking is that, under the terms of the agreement signed by INTUC, all the common demands on which the quarter of a million jute workers had been steadily mobilised over the last two years were rejected by the millowners. Significantly, the veteran INTUC leader, Kali Mukherji, MP, who was present at the parleys, slipped away just before the signing of the agreement and soon afterwards left for Delhi.

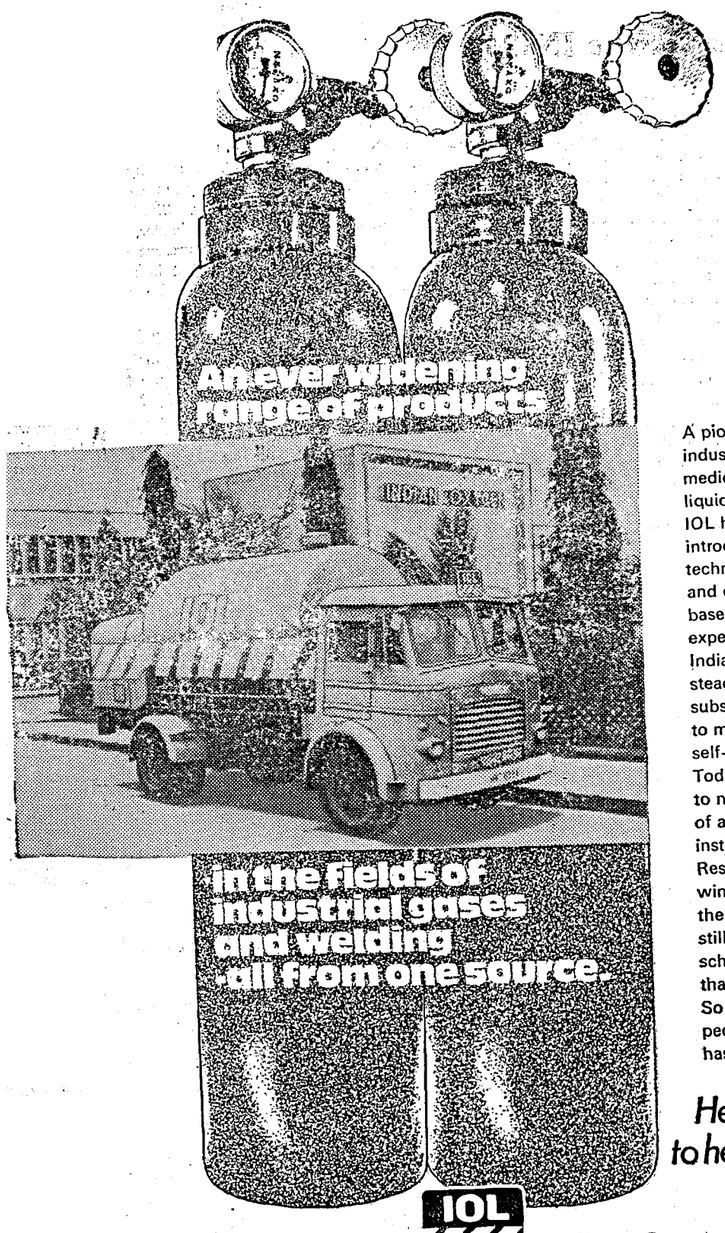
Of the 14 items on the charter of demands, the major ones agitating the jute workers are (i) fixation of grade and scales; (ii) higher bonus; (iii) full employment or relief to *badli* workers; and (iv) full protection of earnings of the jute workers who have been subjected to lay-offs or interruptions of work on account of load-shedding.

Paltry Concessions

What the millowners conceded in the eve-of-the-strike agreement is: (i) annual increment of one rupee per month, (ii) lump-sum payment of Rs 45 per worker in settlement of the demand for higher bonus, and (iii) setting up of a tripartite body with the state Labour Minister as the chairman who will have the power to arbitrate in the absence of agreement between the nominees of the millowners and the workers. The agreement includes neither any guaranteed minimum nor any principle on any of the disputed questions, for the guidance of the tripartite body. Instead, in return for these paltry concessions, the agreement signed by the INTUC leaders seeks to commit the jute mill workers not to raise any demands with financial implications for the next two years.

The other two major demands contained in the strike notice — one regarding the nationalisation of the jute mills and the other regarding trade in raw jute — found no place even in the last round of the tripartite negotiations.

The strike has continued for a whole week and, so far, there has been no overt move from any Congress quarter to break the strike. But pressures from New Delhi and Writer's Building, not to mention from the jute barons, are mounting for 'effective action' to break the strike.



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NORTH

House-Sites on Paper

OF the many gaps between the Punjab government's claims and achievements, that relating to the allotment of house-sites is perhaps the most glaring. An official statement released last year had said: "Conscious of the fact that housing represents one of the basic needs, the present ministry decided to implement the [site-allotment] scheme on a time-bound basis." In pursuance of the ambitious scheme, impressive ceremonies were held at Amritsar and a few other places some months ago, raising high hopes among the homeless. But the multi-million-rupee scheme remains on paper; physical possession of not even a single site has been given so far, five months after the target date.

Cruel Joke

A brochure captioned "Socio-Economic Development in Punjab", issued by the government a few months ago to mark the silver jubilee of Independence, had claimed that "already the target of allotment of 1.70 lakh house-sites has been achieved... A majority of the beneficiaries of the scheme are members of the Scheduled Castes and backward classes... Punjab is the only state in the country which has undertaken to complete this task in the short period of eight months... to impart a feeling of complete security to the down-trodden". Actually, the scheme so far looks like a cruel joke on the down-trodden. The only achievement is the completion of a survey of eligible persons for allotment of plots. These have been found to number 3.21 lakhs. The government tried to secure donations of land for the scheme and addressed an appeal to landowners. However, no donations worth the name have come.

Out of government land in the various districts, 1,84,531 sites were marked out, each measuring 100 to 150 sq yards. The Centre had promised Rs 150 for developing each site. However, against the estimated requirement of Rs 482.85 lakhs for this purpose and the state government's immediate demand for Rs 277 lakhs, the Centre has actually released less than Rs 8 lakhs.

No allotment of housing sites has materialised in Haryana either, but at least this state has made no loud claims in this regard. Plans are now being formulated to allot sites to Harijans and the Deputy Commissioners have been directed to "hurry up". Last July the government was reported to have "initiated" steps to provide sites to all houseless people in the rural areas and the entire programme was supposed to be completed by August 15, 1973. But hardly any progress has been made so far. Unlike the Punjab government, the Haryana authorities have been keeping silent over the implementation of the scheme.

*

Haryana is the first among the states to have presented the 1974-75 budget; it has even secured the state assembly's approval for the budget. This expeditious disposal of business by the assembly was dictated not by any considerations of public interest — in fact, such early and premature estimates lead to wide discrepancies later in the year — but by party exigencies. Chief Minister Bansi Lal was anxious to be free by the third week of January to devote himself to the Congress election campaign in western UP where his personal prestige is at stake. So he decided to score another "first" to impress the Central leadership. The two-week budget session concluded on January 18. That 11 bills, besides the Appropriations Bill, were passed in one day shows the way in which business was rushed through.

The Rs 318-crore budget has a Rs 18-crore deficit, against last year's deficit of Rs 14 crores. The Finance Minister maintained that the state's fiscal position was sound despite the heavy debt liability which would amount to Rs 289.4 crores by April 1 next — an increase of Rs 21.57 crores in a single year. The expenditure on debt repayment now forms the largest single item of state expenditure on revenue account, exceeding even the much-publicised outlays on irrigation and multi-purpose projects.

No new taxes have been proposed in the budget, though the Chief Minister has repeatedly announced the government's intention to mobilise more resources for development purposes. The budget speech hinted at additional imposts later and within a week the government did bring forward two taxation measures. Both are, however, relatively minor in their scope. The first raises the market fee from Re 1 to Rs 1.50 for every Rs 100 worth of goods and commodities brought and sold in the notified markets. The fee will now be on the Punjab level and the proceeds are expected to be spent on improving facilities extended to the growers in the market areas. The second measure raises the tax on sugarcane purchases from three annas (19 p) per maund to Rs 1.50 a quintal. The Agriculture Minister has given the assurance that the tax on sugarcane transactions would be recovered from the purchasers. The state government has also decided to raise the court fee from Rs 13 to Rs 25 and change the basis of the levy to the market value of the land in possession suits. This enhancement would add to revenues by Rs 38 lakhs annually.

Half-Hearted Measure

The budget estimates have exposed the hollowness of another much-publicised "first". Last year the Haryana government imposed a comprehensive Land Tax which was expected to net an additional Rs 3 crores. The government claimed to be the first to have tapped the rural sector for additional resources in accordance with the Raj Committee's recommendations. But the measure has been implemented half-heartedly and the yield in 1973-74 comes to only Rs 70 lakhs. The Minister remained silent on the reasons for this failure of implementation, though he described it as "unfortunate".

The bubble of Haryana's rising per capita income has also virtually burst. While the growth rate in the Fourth Plan is estimated at 8.8 per cent, official statistics show that per capita income (at 1960-61 prices) has been declining during the last three years — from Rs 437 in 1970-71 to Rs 434 in 1971-72 and Rs 426 in 1972-73. The economic stagnation implied in these figures contrasts sharply with the government's claims of "spectacular progress" in various fields. What is more, it has been found that the state had recorded the highest growth rate (9 per cent) during the years 1965-69 when the heavy investments, now being proclaimed from the house-tops, had not been made.

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Low Key, High Stakes

M R

THE Prime Minister's blistering attack on the Opposition at Mathura on October 2, was for all purposes the beginning of her crash campaign to win the Uttar Pradesh elections. The ragtag Opposition had organised a feeble black-flag demonstration, and that perhaps was the provocation for the strident tone of her speech. But her style of campaigning has changed vastly since. On Jaunary 2, she had to abandon her meeting at Nagpur where the audience was sullen and a section of it hostile. It is significant that she has chosen to ignore the Nagpur incident in her subsequent speeches, though 40 over-enthusiastic Congress MPs rushed to the Press with a statement suggesting that the Nagpur disturbances were the beginning of some sinister 'Rightist plot' against the Prime Minister.

Listening to her recent speeches in Uttar Pradesh, one got the impression that she has no new slogan for the campaign. She is content to defend the old *'Garibi Hatao'* slogan, while promising plenty in the remote future. She has also been keeping her speeches on a low key; the tone is persuasive, not aggressive as in the past. She has refrained too from her usual denunciatory attacks on the Opposition. Almost as a rule, some of the Central Ministers from Uttar Pradesh as well as some prominent personalities in the state Cabinet apart from Chief Minister H N Bahuguna adorn the rostrum, and they do much of the speaking. The function at Narora on January 13, to inaugurate the work on an atomic power project — the first stage of which is to materialise in 1981-82! — falls into the pattern. The Prime Minister's persuasiveness, moreover, is underpinned by promise of several major projects.

Sarvodaya leader Jayaprakash Narayan has charged the government leadership with political corruption in the make-believe inauguration of numerous high-cost projects in the state on the eve of the elections. The Mathura refinery, the electronics outfit at Ghaziabad, the Sahadra-Saharanpur rail link, the Narora atomic power plant, and the biggest fertiliser plant in South Asia at Phulpur — are all still on paper. The cynic tots up the value of the projects at Rs 600 to 700 crores; all of them were hurriedly announced or formally inaugurated between October and now.

At Narora, therefore, Indira Gandhi seemed self-conscious about the political reaction to the bonanza of projects-on-paper. She said the atomic power plant to be set up there was no election gimmick; it had been thought of as early as 1967. Chief Minister Bahuguna was quick to correct her — '1971', he said. Uttar Pradesh personages (the state Cabinet has for all practical purposes been functioning from New Delhi these days) have confronted heads of public sector undertakings with the question: "What have you got for UP before the elections?". That is how one of the industrial-units-to-be was wrested for Uttar Pradesh — without so much as a feasibility report.

In a planned economy, projects are not to be doled out of a brief-case, as it were, just because the party in power at the Centre has to win the elections in a state. Yet, Uttar Pradesh has struck not only a veritable mine of projects. It has had rain on it other pre-election bounties as well. Name any scarce commodity and the state has got plenty of it — sugar, cement, vanaspati, fertiliser, kerosene. Cane prices were raised and a Cane Corporation set up in a year of bumper harvests, to placate the kulaks who have block votes to deliver. Also, there has been a corporation for metalware in Moradabad, another for footwear in Agra, new textile units, increased pay and allowances for government staff, confirmation of those on temporary service. Uttar Pradesh has never had it so good, though the Congress has ruled it since Independence, except for the short spell under Charan Singh's Samyukta Vidhayak Dal government and another under Congress-O.

Uttar Pradesh accounts for one-sixth of India, and has provided all the Prime Ministers in the country. It is larger than a lot of other countries, in terms of its population. It is Indira Gandhi's power base. It cannot be lost by the Congress. The absence of a formal Opposition alliance may not enhance the chances of the Congress if the by-election trends are any indication. Even in multiple contests (as in Banka, where Madhu Limaye won, or in the Bombay and Ramtek by-elections for the Lok Sabha from Maharashtra, or earlier on in Dindigul in Tamil Nadu) the pattern has been unmistakable. The Congress cannot bank on the multiplier; it cannot bank on winning seats out of proportion to the votes polled because Opposition votes will be divided. Anti-Congressism too has its logic. The electorate has demonstrated its uncanny instinct to spot the winner and vote in his favour to defeat the Congress. Multiplicity of candidates has not worked out to Congress advantage just as a direct contest has not always helped the non-Congress candidate.

Even the CPI, which is an electoral ally of the Congress, admits that the Indira wave of yesterday has given way to a stormy anti-Congress hurricane. There is no united, state-wide challenge to the Congress in Uttar Pradesh; but the most meticulous assessments, made available to the Centre by the proper quarters (and these reports determined the choice of candidates by the Central Election Committee of the party) hedged their bets. It could be anything between 185 and 200 seats for the Congress in the 425-member House. This is the most optimistic estimate. The Congress might even manage a post-election majority through defections because the bill to ban floor-crossing is safe with the select committee and will not become law before the budget session of Parliament is out.

Among the imponderables are the Muslim vote and the vote of the socially and economically handicapped sections (i e, the Harijans and other backward classes). On these the Congress had capitalised in the past. The Muslim Majlis and the Muslim League, in ensuring that the Muslim vote does not help other Opposition parties — specifically, the Jan Sangh —, may thereby freeze it for the Congress. Which is only a negative gain. Nevertheless, the Congress is losing what it gained in the 1971 Lok Sabha elections: It has lost the Harijan and backward class vote; the middle-class vote is also an uncertain factor.

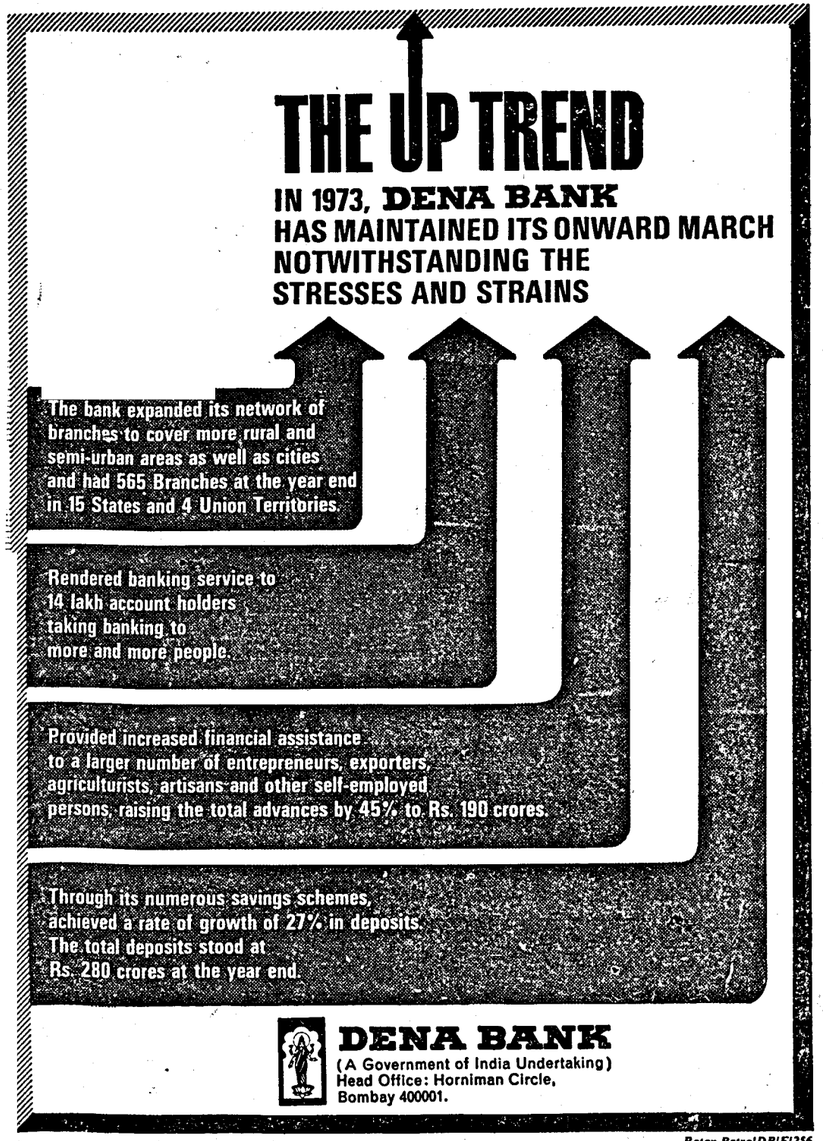
Indira Gandhi had won her home state in the 1971 Lok Sabha poll without any party structure to back her. The situation has not changed since. The vertical mobilisation she could achieve is hardly possible now.

No wonder that, in the massive mood of anti-Congressism that obtains in the state today, Indira Gandhi has chosen not to attack the Opposition but to

keep the campaign on a low key despite the high stakes involved. Loss of Uttar Pradesh or even a marginal victory there would mean a political crisis in neighbouring states such as Bihar and Madhya Pradesh. It would mean a party crisis at the Presidential election, in August, when V V Giri's term ends. It would mean a greater leverage for the Pradesh bosses *vis-a-vis* the High Command.

The list of Congress candidates has been weighted in favour of H N Bahuguna in keeping with the pattern set by the High Command, signifying sabotage by the dissident group. The bogey of a 'Rightist' takeover of Uttar Pradesh, conjured up by the CPI, will not help the situation any because, even by CPI's own admission, the state is the social and political base of 'Right reaction'.

Money intervention is, therefore, the last weapon left in the Congress armoury, as the tide of anti-Congressism swells. A Congress victory, say, with about 35 per cent votes polled (like the 38 per cent polled in Bombay Central-North) will be a hollow one — a passive protest by a populous electorate. A marginal defeat might mean a Congress ministry with the help of defectors. As it is, every third Congress MLA in the state happens to be a defector. A decisive Congress defeat, leading to a non-ideological coalition in office, would mean chaos in the state with spin-off effects on neighbouring states. The crisis will then rise in a vortex towards New Delhi.



AMNESTY INTERNATIONAL

Growing Repression in Asia

A G Noorani

AMONG all the non-governmental international organisations functioning today, few command the respect for independence and integrity which Amnesty International does. Amnesty's concern is the release of "the prisoner of conscience", that is, "any person who is physically restrained (by imprisonment or otherwise) from expressing by words or symbols any honestly held opinion and who does not advocate violence".

Amnesty's founder was a British lawyer, Peter Benenson. Although he practised commercial law, his interest in fundamental liberties took him to places like Hungary, South Africa, Cyprus and Spain either as defence counsel or simply as an observer to watch a trial. In 1961 he read of two Portuguese students who had received seven-year prison terms for no more than raising their glasses in a toast for freedom. He contemplated, at first, lodging a personal protest with the Portuguese Embassy in London, but thought the better of it. A more effective idea, the core of Amnesty's present technique, suggested itself. Why not a chorus of protests from many sides?

Benenson discussed the idea with Eric Baker of the Society of Friends and together they worked out its implications. Benenson set them out in an article entitled "The Forgotten Prisoners" in *The Observer*, London. He announced the establishment of an office to collect information about political prisoners and to work for their release, and expressed his readiness to help groups willing to join in this task. Amnesty was thus launched on its way on the evening of Saturday, May 28, 1961 when the early editions of *The Observer* carried the article. The article was widely reprinted, and the response was overwhelming. Benenson and Baker convened a meeting of supporters from Britain, Ireland, France, Germany, Belgium and Luxemburg. Amnesty was formally brought into being.

"Persecution", a Penguin Special, written by Benenson, about the time, reflected the breadth of his concern. Among others, it set out the cases of Agostinsho Neto, an Angolan Doctor and poet imprisoned by the Portuguese; Olga Ivanskaya and her daughter in Russia; Antonio Amat, a Basque Socialist in one of Franco's prisons, and Hu Feng, an independent Marxist writer jailed in China.

It would be very hard, indeed, to have a central office large enough to deal with all such prisoners. What the institution does is to collect the facts and transmit them to its volunteer supporters who work in the group system, peculiar to Amnesty. Each group consists of from 6 to 20 members which makes itself responsible for the release of prisoners of conscience. It followed rigidly a rule of threes, adoption of three prisoners — one each from the West, the East and the non-aligned parts of the world. "By choosing one prisoner of conscience from each area of the world, we stress that the Amnesty movement has no political considerations, it is impartial between the rivalries which bedevil the world." The rigidity of the rule has been relaxed but not the impartiality underlying it.

The Group "adopts" prisoners and goes to work on their behalf. However, and this is another and salutary peculiarity of Amnesty's working rules, a group, or for that matter a National Section of the international organisation, may not adopt prisoners in its *own* country. This at once preserves the group's detachment and places responsibility on foreign opinion in a matter properly of international concern.

The group writes to the embassy of the government concerned and, if possible, discusses the case with someone in authority there. It writes, also, to the Minister or official directly involved in the imprisonment and secures the interest of any international organisation concerned with the particular prisoner of conscience. It would even write to the managing director and chairman of commercial concerns with trading interests with the prisoner's country. Finally, it keeps up a regular campaign of press publicity about its efforts to secure release.

As Martin Ennals, Secretary-General of Amnesty International writes in the latest Annual Report, "What started as a special campaign in 1961 is now a permanent campaign, with a permanent staff of researchers producing information about political prisoners and their treatment and servicing a membership in 62 countries, in 32 of which there is a central national organisation dedicated to work for the release of prisoners of conscience and the abolition of torture and the death penalty. . . . During its first year of life Amnesty compiled a list, with personal details of 1,200 prisoners of conscience; persons in prison because of their political or religious beliefs, their colour or their ethnic origin. Today not only are 1,200 Amnesty groups of members working for individually adopted prisoners, but there are also many thousands of other prisoners (the names of whom in some cases are not even known), who are the subject of Amnesty action, benefit from Amnesty relief programmes, or are within the purview of Amnesty concern."

Last December, Amnesty climaxed its campaign against torture by holding a conference in Paris for the Abolition of Torture.

An Indian Section of Amnesty International has been set up, largely on the initiative of Mridula Sarabhai. Its President is M C Setalvad, former Attorney-General of India. The Section's office is at A-23 Kailash Colony, New Delhi-48.

Amnesty International's Secretariat has an excellent Research Department which collects information and feeds it to the groups and National Sections. The Report tells us, "The number of cases taken up has continued to grow, and so has the number of released prisoners. During the calendar year 1972, the cases of 1500 new prisoners were sent out to the groups, and there were

842 releases; in the first five months of 1973, 818 new case sheets were constructed, and 520 prisoners were released. Amnesty International of course does not claim all the credit for the releases. The performance of the Research Department, it can be assumed, will further improve when the Latin American Department starts using the contacts it has recently established and when the Middle East unit goes into action.

"In addition to the work on individual cases, we have published several major reports dealing with political imprisonment, torture and the state of human rights in several countries; in September 1972 the report on torture in Brazil appeared; the Draft Protocol on Civilian Prisoners in Indochina was followed by the report on Political Prisoners in South Vietnam, which was published in July 1973; the Indonesian submission to the United Nations and the Indonesian Special — a joint publication with the Dutch Section — were prepared. Unfortunately, the *Chronicle of Current Events*, a reliable record of the state of human rights in the Soviet Union, which was published in English translation by Amnesty International, stopped appearing in Moscow; November 27 of the *Chronicle* was the last one to be published."

An idea of Amnesty's technique of work is afforded by the following case in the US. "The policy of looking behind alleged criminal cases to determine, with a view to adoption, the existence of miscarriages of justice instigated for political purposes, has been extended. Accordingly, it was decided to adopt Martin Sostre, the owner of a radical 'Afro-Asian' bookstore. He had been convicted of the illegal sale of narcotics. The principal police officer involved was subsequently suspended from the police force and the main witness against Sostre signed an affidavit confessing to participation in a frame-up. With the assistance of a thorough report prepared by the German USA-Co-ordination Group it was determined that Dr James Grant has been falsely convicted in North Carolina of burning riding stables and assisting fugitives from justice. He has been adopted. An observer was sent to the Los Angeles trial of Daniel Ellsberg and Anthony Russo who were responsible for publication of the secret Department of Defence study on the origins of the Vietnam War."

As regards the other super-power, the Report says "the past year has seen an intensified campaign against the dissident movement in the USSR ... On December 30, 1972, the Soviet Union celebrated the 50th anniversary of the founding of the USSR. The Chairman of Amnesty International sent a telegram to Mr Brezhnev on this occasion, calling for an amnesty for all political prisoners. The Soviet Union did declare an amnesty, but like that of 1967 this did not cover those sentenced for political crimes."

The most depressing passage in the Report concerns Asia. "The dominant feature of Amnesty's work in South, East and South-East Asia is the vast scale of political imprisonment when compared with other regions; in 3 countries alone, Vietnam, Bangladesh and Indonesia, the total number of prisoners easily exceeds 200,000, most of whom are not only unsentenced, but have undergone no form of legal proceedings."

Amnesty vigorously campaigned for the release of the prisoners of war and civilian detainees in India, Pakistan and Bangladesh after the 1971 war. "In July 1972, a prominent Singapore lawyer visited Bangladesh briefly to investigate for Amnesty the situation of large numbers of alleged 'collaborators'. Although assured that the accused would be given fair trials, he reported that the scope of the Collaborators Order under which they were being held was very wide, covering at the same time cases of grave criminal offences and atrocities, as well as simple co-operation with the then government during the months after March 1971. In October the Home Minister announced that the number of arrests had risen to 42,000 and more arrests were still to follow ... At the end of May, the Secretariat's researcher of the area went on a research mission which included Bangladesh to collect information."

Bangladesh has announced an amnesty for "collaborators" since the above was written. Another welcome development since the Report was published was the Indo-Pak Delhi Agreement on the POWs and civilian detainees.

But what the Report has to say about other categories of detainees in India and Pakistan deserves be set out *in extenso*. "Although Martial Law was lifted in Pakistan early last year, soon after the civil Government came to power in December 1971, the State of Emergency evoked one month earlier still exists. Under the Defence of Pakistan Rules, which provide for 6-month periods of preventive detention, a number of politicians, well known journalists and students have been arrested for shorter periods, and then re-arrested immediately after their release. Of the 16 cases Amnesty took up, 11 were subsequently released. One of the prisoners is now serving a 5-year sentence under Martial Law for making an 'objectionable' speech."

Of India it records, "About 17,000 people are held under preventive detention in West Bengal, detained on allegations of Naxalite activities. The arrests were first made under the Maintenance of Internal Security Ordinance which was passed early in 1971 to deal with the situation of Naxalite violence then existing in the state. But they have continued even though the situation has improved considerably. Early in 1973, Amnesty International approached the Indian Government to release those against whom no criminal charges could be brought."

The following passages from the Report concerning Nepal and Sri Lanka complete South Asia's unhappy record:

"At the beginning of 1972, King Birendra announced plans for moderate reform and moves towards a more liberal policy. But when students and the (outlawed) opposition raised their demands for political change in the summer, a number were detained. Seven parliamentarians and former prime ministers were arrested under the old Security Act, among them K P Bhattarai, who was adopted by Amnesty International in 1968 and had spent years in prison previously for his vigorous advocacy of the 1960 system of parliamentary democracy. All these were adopted by Amnesty, as well as some 50 cases of students. Group work, however, has experienced difficulties and has not so far met with any official response."

What of Sri Lanka? "No precise figure is known for those still detained under the 1971 Emergency Regulations in Sri Lanka. In December, the total was put officially at 5,000 of whom 2,500 would be released 'by the end of the year'. But unofficial estimates suggest that the real figure is nearer 8,000, and informed sources in Colombo have expressed their disappointment at the slow working of the Government's much-publicised rehabilitation schemes. Some further arrests took place early in 1973 and in May, the International Secretariat wrote to Mrs Bandaranaike, the Prime Minister, asking for information about the total numbers and location of those still detained, and about the Government's plans for their trial or release."

Government Expenditure and Income Distribution

Public Expenditure and Income Distribution by Mohammad Zahir; Associated Publishing House, 1972; pp 191+xiv; Rs 30.

THERE has been a dramatic distribution of benefits of public expenditure in favour of the poor in USA, says a recent study by Herriot and Miller (*Business Horizons*, February 1972). Could it be true of India? That is the central theme of this doctoral dissertation by Mohammad Zahir. The subject is of considerable interest both to academics as well as policy-makers for none of the income distribution studies made so far for this country takes any account of the impact of public expenditure though it is being increasingly realised that measures of income distribution remain deficient unless they take note of the pattern of public expenditure, since, with public consumption growing rapidly, private goods form "only a subset of commodities which contribute to household welfare" (Henry Aaron in *National Tax Journal*, December 1969).

Incorporating the provision of public goods in welfare comparison between different income groups, however, raises difficult conceptual problems of which the most formidable perhaps is that of valuation of public goods consumed by each household. For a satisfactory solution one has to go in for Samuelson's 'quasi-prices', that is, what the households would be prepared to pay for goods and services provided to them through programmes of public expenditure. Such subjective valuation being infeasible, alternative methods are required for the treatment of public goods in income distribution measurement and that calls for a reasonably clear analytical framework.

Zahir's study does try to give, as the preface says, 'an analytical framework' while presenting the "results of an empirical-cum-analytical objective study of the influence of the changing pattern of public expenditure on distribution of income in India from 1951-52 to 1965-66". But the analysis shows little awareness of the conceptual knots and consists mainly of a collection of the views of well known authorities (Lewis, *et al*) on subjects like equality, growth, etc. In fact the first chapter is devoted to an examination of the rationale of equitable distribution but the discussion ends up with some trite observations such as "A more equitable distribution of income and wealth is preferable to a less equitable one in that a more effective access to a wider range of alternatives is secured for a larger part of the population". One should have thought that the case for equality rests on firmer grounds than that. The next chapter provides a survey of the available estimates of income and wealth distribution in India but much of the material is presented uncritically without any serious attempt to go into their shortcomings. Presumably these two chapters are by way of preliminaries meant to provide a perspective for the study which is concerned with the redistributive effects of public expenditure. But the space (and time) spent on the preliminaries — they occupy more than a quarter of the book — do not seem to be commensurate with their contribution to the development of the main thesis.

In studying the effects of public expenditures on income disparities, the author first takes the reader through the figures of revenue and capital expenditure of the central government for the period, the various components of expenditure and its break-up under the heads 'Civil Administration' and 'Social and Developmental Services'. To see what the state governments have done with the tax-payer's money, the author uses the concepts of "development" and "non-development" expenditures. For assessing the redistributive effects, public expenditure is classified under three major heads:

(i) Expenditure on development services — which includes agriculture and allied services, irrigation and power, industry and mining, and transport and communications. These are believed to have substantial redistributive effect.

(ii) Expenditure on collective consumption — e g, on social services like education, health, and housing and social welfare.

(iii) Other expenditures — like defence and general administration of which the redistributive effects are difficult to identify.

Figures of expenditure are furnished under these heads for the first three Plan periods with their percentage shares in the total. It is seen that during the first three plans, of the total public expenditure roughly 50 per cent was devoted to development and of the remaining 50 per cent about 39 percentage points was spent on non-development purposes and only 11 on directly redistributive items, whereas in most of the West European countries, expenditure with a redistributive content accounts for 40-50 per cent of the total. And the pity of it is that not the whole of the expenditure that has an ostensibly redistributive purpose always helps the poor. Expenditure on education, for example, provides considerable assistance for the universities though few students of the working class or peasant families go to the universities. Similarly, in the matter of housing, the study shows that "almost all housing construction has been planned for the upper and middle class".

A good portion of development expenditure no doubt helps to redistribute incomes. But on the whole, the author feels, "it seems fair to conclude that for the bulk of the population the pattern of primary income distribution is not even slightly modified by Government action". That may be so, but the analysis on which this conclusion is based is much too sketchy to warrant any confident assertion. The development expenditure on agriculture, for example, needs to be gone into in greater detail to see which income-groups have reaped the benefits before any judgment about the effects can be pronounced. Similarly, one has to look into the break-up of expenditure on development of "Transport and communications" for an idea of the groups to which the benefits have largely accrued (e g, from import of Boeings for domestic services of IA, construction of posh lounges at air terminals, running of Rajdhani Expresses and provision of TV stations) and whether these have helped redistribution.

As regards purely redistributive expenditures too there could be scope for some scepticism as to whether they really serve the intended purpose and if so to what extent especially when large chunks of money earmarked for relief of the distressed go to fatten the bigwigs. Tracing the beneficiaries for every rupee spent by government is of course not feasible. But a more



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Shakespeare

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5 A

thorough study than Zahir has attempted is required if the redistributive effects of public expenditure are to be properly assessed. As mentioned earlier, a few items are subjected to some scrutiny in the book, *viz*, education, health and social services. But the discussion proceeds somewhat tangentially to the main question. Thus at one place there occurs this comment: "A review of educational development programmes during the first three plans reveals that the educational system has not geared itself to meeting the needs of our growing economy which is based on various short and long term social and economic objectives" (p 88). Similarly, for social services, the conclusion is that the effect of such expenditure on income inequalities has been small because the amounts spent on these services are relatively small. Suggestions for pension and insurance schemes for the aged and the unemployed are not favoured by Zahir because in his view those who can be taxed to raise the resources needed for the purpose are numerically small. His remedy is a "more thorough and integrated regulation of public expenditure so as to achieve desired redistribution of income and wealth". Then follows the inevitable recommendation for "an expert and independent body" to oversee the task.

The next chapter is on "Inflation and Pattern of Income Distribution", where the percentages of changes in national expendiutre and prices are duly noted but little indication is provided of how serious the impact of inflation has been on income distribution beyond statements like these "The middle classes are being wiped out, lower classes are in ruin" (p 123). The chapter, replete with concern for the damage done by inflation to equality concludes with a suggestion for a proper "incomes policy".

The penultimate chapter (the final one being devoted to summarising the conclusions) is devoted to an examination of the effects of public expenditure on regional inequalities. This part of the book furnishes at one place some useful data on the per capita expenditure on heads like education and health in different states, the state-wise spread of central government undertakings and other aspects of inter-state economic disparities. The conclusion is that "economic planning in India has not led to any noticeable change in the relative positions of the relatively developed and the relatively non-developed states" (p 152). But again the reasoning on which it is based is too loose and weak to make the argument a persuasive one.

Perhaps the limitations of a doctoral project did not permit the researcher to go deeply into the issues that the subject raises. The promise of the title thus remains largely unfulfilled. One hopes, the author will follow up the study to find more convincing answers to the questions he has posed for himself in this book.

SPECIAL ARTICLES

Data Base for the Fifth Plan

Some Critical Gaps

J N Tewari

The information requirements of planning may be thought of for the different stages of the planning exercise: (i) plan formulation and target-setting; (ii) detailed project/programme formulation; (iii) project/programme appraisal; (iv) implementation evaluation or concurrent evaluation; and (v) ex-post evaluation of the impact of Plan programmes.

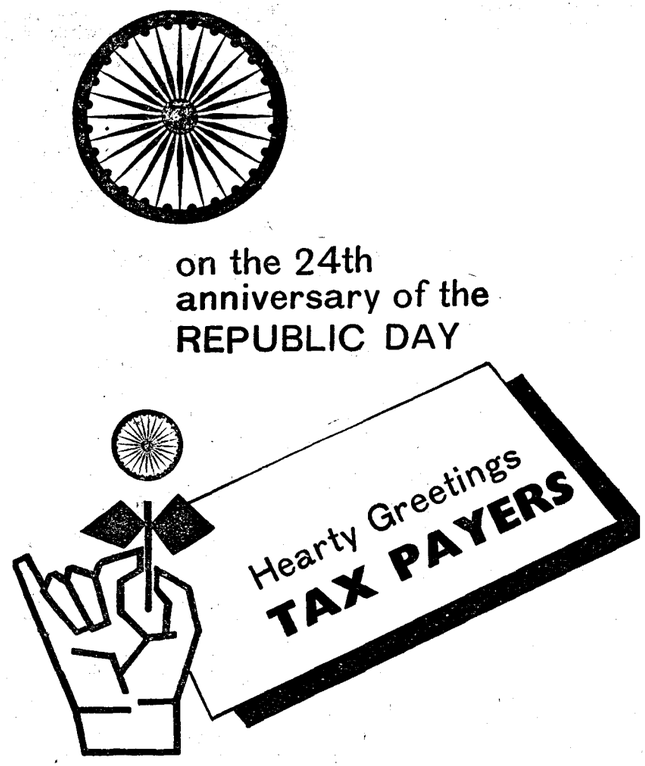
This note tries to bring out some of the crucial gaps in the data base of the economy which affect these different stage of planning.

THERE is growing awareness of data requirements for planning, but lack of data seems to be tackled on an *ad hoc* basis as and when the problems come up. Information requirements for the planning process should be thought of for the different stages in the planning exercise, *viz*, (1) plan formulation, and target setting; (2) detailed project/programme formulation; (3) project/programme appraisal or *ex ante*-evaluation; (4) implementation evaluation or concurrent evaluation; and (5) *ex post* evaluation or evaluation of the impact of Plan programmes. The purpose of this note is to bring out some of the crucial data gaps in the above stages that impede scientific execution of planning and to help bring about better awareness of the steps to be taken for achieving a more adequate data base for the economy.

I

Plan Formulation

The Approach Paper on the Fifth Plan put forward removal of poverty as one of the two major objectives, and to achieve that end, emphasised reduction of inequality on the one hand and adequate growth on the other. Poverty is defined in terms of consumer expenditure per capita per month of about Rs 40 (in 1971-72 prices). One would normally expect poverty to be thought of in terms of 'personal income' data but this could not be done because personal income data are at present not available. The Integrated Household Schedule No 16 in the NSS rounds (23rd, 24th and 25th) collected data on receipts and disbursements, from which income figures for the household can be built up. The real question is whether the data so derived would give a consistent estimate of savings if consumer expenditure figure obtained from the other NSS schedule is deducted from the income figure so estimated. The NSS(O) has not, to my knowledge, released any estimates on these lines for the 25th Round but such an exercise appears to be rewarding firstly for improving schedule No 16 with a view to give dependable estimates of income and secondly, for assessing which of the two estimates could serve the purpose of the plan-



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ners better as an indicator of poverty — the consumer expenditure estimate or the income estimate so derived.

Inequality is thought of in terms of consumer expenditure per month per capita (based on the NSS data) for the top and the lowest 30 per cent of the population and in terms of the urban/rural ratio of these figures. Sectoral growths are worked out for the variant — with reduction in inequality and without reduction in inequality. The removal of poverty objective together with reduction of inequality sub-objective leads to the assumption in the planning exercise that the lowest 30 per cent of the population will have in the terminal year of the Plan income enough for meeting the basic minimum needs (which is put at Rs 39.6 for the urban and Rs 36.6 for the rural areas in 1971-72 prices).

Growth Rate and Plan Size

From the angle of adequate growth the figure of 5.5 per cent is indicated as against the achievement of about 3.7 per cent in the past decades, and a Plan size of Rs 51,000 crores is postulated. On the question of the total size of the Plan, the decision is mostly based on the financial resources picture. This requires estimation of savings from different sectors. The Approach Paper gives the following figures:

	(Rs crores)
(i) Public sector	14,965
(ii) Financial institutions	688
(iii) Private sector	28,310
(a) Corporate (4,011)	
(b) Cooperative (229)	
(c) Household (24,070)	

Savings accruing in the household sector are thus put at about 17 per cent of that in the public sector; but how dependable are the estimates of the household sector? While the figures on accretion of financial assets to the household sector (Rs 19,105 crores) and on net borrowings (Rs 4,855 crores) are relatively more dependable, it is not clear how the figure of direct investment by the household sector (Rs 9,850 crores) has been built up, even though it satisfies the hypothesis (thrown up by some other studies) that net borrowings are half of the direct investment in this sector. There is a strong need of a household survey to give firm estimates of this parameter. The survey could also bring out how much of the borrowings in the household sector are used for investment purposes and how much for consumption purposes.

Besides resources or the feasibility consideration (including the limiting factor of implementation capacity), one can look upon the size of the Plan as derived in another way; by taking the figure of gross domestic product for the base year of the Plan and applying the overall rate of growth considered adequate from the angle of removal of poverty. This brings into focus the importance of the base year figure of gross domestic product. The Approach Paper gives this figure for 1973-74 as Rs 43,070 crores. If one applied to gross domestic product for 1970-71 (Rs 36,319 crores as given in the Economic Survey) a 2 per cent rate of growth for 1971-72 as well as 1972-73 (which, again, is mentioned in the above document) and a 5 per cent rate of growth for 1973-74, one gets a much lower figure; there seems to be an overestimation of more than Rs 2,000 crores. Obviously, there is need for making the national income figure firstly more up-to-date and secondly more firm and based better on primary data.

While the National Income work in our country started in the CSO in 1950-51, the national series still suffers from severe data gaps — only abou 50 per cent of the estimate is based on primary data. The estimates for the unorganised sector — the household enterprises and the unregistered establishments — need priority attention. A household survey is required. Both from the angle of making the task manageable administratively and also to insure reliability of the data collected, it may be wise to consider in such a survey the household enterprise as a *unit* and forget about industry-wise classification within the activities of the household unit.

Sectoral Growth Rates

The decision on the pattern of growth (i e, sectoral growth targets) in the planning exercise for the Fifth Plan approach is not based purely on the material balances technique. The major innovation in the present exercise is the enmeshing of the 66x66 sector consistency type input-output model with the consumption model based on the NSS data. But this exercise has brought out the need of achieving better consistency between the 66 sectors used in the input-output model and the 22 product classifications used in the consumer expenditure data of the NSS. While for items like cereals, pulses and foodgrains, the classification is the same in both the models, the problem becomes complicated for items like 'other agriculture' in the input-output model. This item includes many heterogeneous NSS items like (i) fruits, vegetables, spices; (ii) sugarcane, gur, betel nuts and leaves, tobacco, groundnut, home-made vegetable oils; and (iii) straw husk, etc. Further, the NSS classification for collection of data as it stands at present is unnecessarily detailed for agricultural commodities but not detailed enough for consumer durables and for manufacturing items. Break-ups on expenditure for some agricultural commodity groups can be safely avoided: like jowar and jowar atta, bajra and bajra atta, maize and maize atta, etc, various types of vegetables, pan leaf as distinct from pan finished, supari as distinct from pan supari, and so on. On the other hand, there is need to have more homogeneous classifications for manufactured consumer items, in particular, manufactured durables of various sorts. Also, the basis for the NSS broad group classification seems to be final use and not similarity of input structures. The latter criterion may answer better the questions that planners are interested in.

Another major problem is to have the NSS consumption data in more detailed expenditure classes. At present the tabulation is for 12-13 fractile size groups. The top fractile group (90-100 per cent decile) may have to be broken into 90-95 per cent and 95-100 per cent groups.

There can be another type of criticism of these growth figures for the different sectors, *viz*, to what extent the figures given in the Approach Paper for the mass consumption goods items are adequate to satisfy demand which would arise if the assumed degree of inequality is reduced. It is true that the Plan calculations on the two variants — (i) with reduction of inequality and (ii) without reduction of inequality — give different figures for such items. But the question is whether the differences are high enough.

	Growth Rates Percentage With Reduction in Inequality	Growth Rates Without reduction in Inequality
Vegetable oils	5.25	4.45
Cotton textiles	5.10	4.59
Foodgrains	3.99	3.13
Sugarcane and gur	4.94	3.45

Similarly, one can question whether the growth figures given in the Ap-

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proach Paper for the luxury sector items are low enough considering the objective that the top 30 per cent of the population or at any rate the top 10 per cent of the population should reduce consumption of luxury items. Data should be built up at the macro level to examine the above two hypotheses.

In this context it should be emphasised tha the sectoral classification as made permits at a glance comparison of only one luxury item, *viz*, radios (page 23-24 of the Approach paper) for which the growth figure without reduction in inequality was 9.11 per cent as against 3.46 per cent for the variant with reduction in inequality. The sectoral classification given are not disaggregated enough to show at a glance the growth targets for many luxury items. If the implications of the Plan objective are to be clearly understood, the classification has to be made much finer and the luxury items clearly identified.

There is need to mention another critical data limitation which constrains inter-sectoral allocation of funds of the Plan formulation stage, *viz*, sectoral estimates of incremental capital output ratios. The Approach Paper recognises that "It has not been possible to workout incremental capital output ratios on the basis of observed response of output to investment", and mentions that "work has been initiated in the Planning Commission on the computation of incremental capital output ratios and the delineation of time phasing of investment".

II

Project Formulation and Appraisal

While the importance of a shelf of projects from which really sound projects could be selected for inclusion in the Plan after scientific project appraisal is well recognised now, adequate steps are not taken in advance to see that the data which go in the Detailed Project Reports (DPRs) are of adequate quality. Figures on resource potential and production possibilities are very often assumed without a firm empirical base. The same is true about demand projections. The alternatives about output-mix from the projects are inadequately documented and as a consequence some are lost sight of in project formulation and project appraisal work. In the case of irrigation projects, for example, the assumptions about different cropping patterns in the command areas of the project are not always realistic. The same is true about the yield rates and changes therein over time because of adoption of improved varieties and such other factors. During the screening stage of such projects much time is, therefore, lost in revising the estimates and redoing the exercise.

Similarly, price data are very often not firm in the way project reports are prepared at present. This becomes critical because in project appraisal exercises one finds that the returns (in terms of internal rates of return, or net present value) are very sensitive to output prices. Price analysis needs adequate attention on two counts — one, to build up a proper base for primary data and, two, to determine the proper price concept to be used. The following prices from a recent exercise on a bamboo plantation project in southern UP give an idea of the degree of variation in price figures. [1] A forest project is a good illustration because getting market prices in this sector is complicated partly because of the disorganised market and partly because of long-term contracts.

	Stumpage Prices of Bamboo Per Air-Dry Metric Tonne
(i) Southern Circle U P	Rs 52 (Average for the period 1967-68 to 1971-72, based on auctions of the bamboo; and on prices paid by Rohtas Mills)
(ii) Import substitution price	Rs 65
(iii) Social price	Rs 160

The significant difficulty in getting the primary data on the first price concept relates to the air-dry weight unit of the commodity. The weight of bamboo differs with the extent of driage and prices are not available at uniform driage content. In the second price an attempt is made to estimate how much India would be willing to pay for the bamboo stumpage rather than import long fibre chemical pulp to replace bamboo pulp in paper making. The procedure involved would be to take into account the CIF price of the imported product comparable to the bamboo pulp and to get the value of the raw material 'bamboo stumpage' as a residual item by deducting from the price of the imported pulp the cost of local manufacturing. Further, by deducting transportation and exploitation costs one can find the import substitution price of stumpage. As regards social price, one can take into account the effective protection of Indian paper and pulp industry for which an estimate of 42 per cent is given and add it to the stumpage price of bamboo. While items (ii) and (iii) show also conceptual differences, even getting the primary data for the first and making price projections for the future is an intricate problem.

The last item in the above para brings out the need of estimating a few parameters at the national level like social rate of discount, shadow price of foreign exchange and shadow price of capital, which are critical for project appraisal work. Unless their values are worked out concretely by an appropriate organisation, say the Project Appraisal Division of the Planning Commission (in consultation with the Public Investment Board) and accepted by the Union/state governments and all project authorities and adopted in the selection of Plan projects, scientific appraisal will not be adopted as a routine step in investment-decision making.

In this context it may not be out of place to emphasise that the administrative system should make it obligatory to fulfil certain minimum levels of data requirements; only then will the procedure be automatically followed and the data gap reduced. For example, if the application for licence in required to be accompanied by a feasibility report on the project and as a rule the letter of intent is not issued unless the feasibility report is received and examined by the licence issuing (or any other suitable) authority, the data gaps in the project report would be filled by the applicant and would not be left to be discussed at a later stage as happens very often at present. It is true that such an administrative requirement would throw a heavy burden, firstly, on small entreprencurs who may not be well equipped, technically and financially, to get feasibility reports prepared and, secondly, on the licence application processing authority in terms of examining the feasibility report. This step would, nevertheless, be in the right direction and would help right decision-making on investments. The logical corollary of the step would be simultaneous strengthening of the technical facility both to the small entrepreneur and to the body entrusted with the task of examining the feasibility reports and the DPRs. Another example may be quarterly reporting on orders, deliveries and payments as far as capital goods investments in the public sector

enterprises are concerned. The data will be extremely useful for analysing lags and, thereby, achieving better forecasting of such investment requirements at the time of budgeting.

III

Implementation Evaluation

While in India evaluation of rural development programmes received good attention through the work of the PEO in the Planning Commission right from the inception of the Commission, monitoring of projects has been emphasised only recently. There is imperative need of institutionalising a system of effective project control to reduce time slippages and cost overruns in the case of projects. It is not only important to identify the bottlenecks and causes of shortfall and the lagging areas, through critical scrutiny of the physical and financial progress of the interrelated phases of the projects in question but to do so in advance and to take corrective action in time. This implies a careful watch on the progress (including the physical progress) of inter-related other projects which are to supply the inputs for the projects under consideration at specified times and also on the time requirements of the other projects for which the outputs of the particular projects are to serve as inputs.

The data obligations of this function are progress reporting from the specific projects along with from inter-related projects with the specific objective of periodical (say quarterly) issue of instructions on corrective steps to the project authorities in question. The key-note of the progress reporting should be to bring to the notice of the higher level authorities unanticipated happenings, deviations and exceptions which have to be taken care of. More specifically, there should be a system to prepare quarterly project status reports indicating (a) actual as against planned expenditure; (b) physical and financial progress in terms of critical milestones of the project (like land acquisition, buildings/civil works, machinery/ equipment ordered, received; steel, etc); the progress could be expressed as percentage of the targets for the individual physical items of activity; composite performance indices could also be prepared; (c) the obstacles which stand in the way of timely completion of the project, considering the actual stage achieved by the project — pre-construction, construction, production — and also the consequential steps to be taken by the project authority in question and by the project authorities of the related projects; (d) the consequential revision of the time schedule of implementation of the project and the related input requirements in terms of time from related projects; and (e) the costs of the slippages in terms of overall time and production. The need is to institute detailed progress reporting from the projects, at least the core plan projects; to systemise the analysis of progress data and have 'action reports' on the corrective action needed. Operationally, the critical task is to get the corrective action taken by the executive ministries in time. To this end, the Monitoring and Evaluation Unit in the Planning Commission is being reorganised. Some Monitoring Groups have been constituted to study a few projects (as case studies) with a view to streamlining the monitoring and information system.

The success of the monitoring exercise lies in achieving three steps: (i) identifying in advance the bottlenecks which will result in immediate time slippage and cost overrun in the completion of the project or shortfall of project production; (ii) suggesting corrective action; and (iii) seeing that the suggested action is implemented in time and that the consequential revisions in time scheduling and costs are figured out. For the first step, a suitable data system must be built so as to throw up warning signals. These warning signals should be meant for two different levels (i) for the projects and (ii) for the sectors of the economy and the economy as a whole. The Economic Planning agency [2] in Japan has worked out what it calls 'Business Warning Indicators'. The following 12 items are selected: wholesale prices of raw materials; wholesale prices of industrial products; job-opening received; extra working hours (manufacturing); average outstanding issue of bank note; deposit money; increase of lendings of banks; mining and manufacturing production index; ratio of manufacturer's inventory to shipment; ratio of labour cost to sales (manufacturing); orders of machinery industry (private, excluding shipping); and private construction orders. In the relevant table there runs also a row captioned 'total judgment'. The Economic Planning Agency publishes monthly trends in these warning signals. A similar attempt, but more elaborate and articulate, needs to be made, with clear-cut distinctions in the signals for the economy, for the sectors and for the projects.

IV

Ex Post Evaluation

From the angle of *ex post* evaluation, the planning process requires information on the impact of Plan programmes and a built-in system where the results of impact evaluation are taken into account for improving Plan implementation. The present system seems to fail on both these counts. For the first, the only significant attempt was made by the Programme Evaluation Organisation in 1964 through a detailed study in which the Central Statistical Organisation, the Indian Statistical Institute, the Reserve Bank of India and the State Bureaus of Economics and Statistics participated and data were collected and tabulated at the level of the NSS three-digit level regions on consumption, employment, adoption of improved practices, education, health, etc. The study brought out data on about 37 indicators but the analysis did not go much further. Nor it is being repeated at the end of the Fourth Plan period. Serious thought should be given to having at regular intervals Plan impact studies, preferably at the beginning and end of each Plan.

A scientific impact study requires a well worked out methodology for rating the states/regions on a development scale. The steps involved would be selection of the indicators and determination of proper weights for preparing a composite index of development. For working out the indicators of development, apart from per capita national income the usual procedure is to consider the different components of levels of living like nutrition, health, education, housing, communications, transport and services, and sectors of the economy like agriculture, industry and trade and determine the key variables on which it is feasible to collect regular data. The variables are chosen to throw light on both developmental and structural changes. The exercise would mean starting with a longer list of indicators, say about 80, and then weeding out the 'not-so-sensitive' indicators. Thus by a process of elimination, a small list of very sensitive indicators — the hard core of highly intercorrelated indicators—would be derived. This is the type of exercise [3] done by the United Nations Research Institute of Social Development. But all may not agree [4] with the notion of development adopted in the above document, *viz*, development is, to a large extent, by its nature a system of inter-dependent variables'; 'the factors or aspects whose

change constitutes development must necessarily be correlated with each other in a developmental data array'. Many will dispute that inter-correlation is the right basis for determining the sensitive indicators or for deciding their relative weights. This may not fit in with the other notion that components of levels of living may be given their importance on the basis of the percentage of national income which originates from that item. The above criterion also disregards differences in the relative quality of consumption like consumption of foodgrains *vis-a-vis* of TV, radio, etc. At any rate, the approach of a composite index of development based on suitable weights would be a better basis of ranking different states or region on the development scale than a simple method of assigning scores on the basis of the different indicators and then considering the aggregate scores. The latter approach disregards the difference in the ranges of values for the different indicators. Thus, for having a scientific impact study on the above lines, regular data should be built up for the initial year and the terminal year of the Plan at the regional or district level (the particular area unit chosen for analysis), and periodical analysis made, preferably thrice, first, at beginning of the Plan, then at the end of the mid-year of the Plan, and finally at the end of the Plan.

Employment and Under-employment

In the context of a study of impact of Plan programmes, it may be relevant to stress the importance of indicators of employment in view of the emphasis in the Fifth Plan on creation of employment opportunities as an instrument for reduction of poverty and achievement of income redistribution. A distinction should be made between indicators of (a) level of employment (or more specifically of unemployment and under-employment), (b) structural changes in the pattern of employment (like percentages of economically active population engaged in agriculture, industry, trade and services) and (c) effectiveness of the different Plan programmes in terms of employment generation.

For the first, the Dantwala Committee report had suggested that the use of the single dimensional estimate should be discarded in favour of multidimensional estimates; that in the NSS surveys the system of getting the labour force picture for each day of the preceding week (instead of for seven days as a whole) should be introduced and that there should be supplementary probing questions. The NSS has also accepted the idea of determining 'principal' activity on the basis of total intensity during the reference week; but even with all these improvements, doubts may still linger [5] about the concept being refined enough for conditions in the rural areas. The 27th Round of the NSS, which is to be completed shortly, will estimate the level of unemployment during different seasons in terms of the total number of days unemployed, as percentage of the total number of days in the labour force during the reference week. The Bhagwati Committee on unemployment (May 1973) has not suggested any specific improvement in the concept but maintains that "in our view the estimate of the unemployed should include the persons who are wholly unemployed as well as those who have work for less than 14 hours a week". The Committee's figure of unemployed persons in 1971 comes to 18.7 million. For future improvement, it has recommended that "the NSS should undertake every five years, full scale surveys into employment, under-employment and unemployment, including data on the per capita income and expenditure levels of households, so as to assess the employment situation in relation to suitably disaggregated segments of the population." While there is definite need of such a quinquennial study, in order to have meaningful estimates, the tabulation programme of the NSS must provide for cross classifications on labour time worked, additional hours available for work and expenditure variable. Thus, an attempt should be made in the analytical exercise to combine the time criterion, the poverty criterion and the willingness to work criterion for measuring under-employment.

For building up unemployment and under-employment data, it must be realised that the information is more useful operationally if available at the micro level — say, for the district, block or panchayat. And this can be managed if collection of statistics is linked to the actual operation of the scheme. A notable illustration is the Rural Employment Guarantee Scheme which is being implemented by Maharashtra government since April 1972, which requires that persons who are unemployed or under-employed should go themselves registered with the village panchayat indicating the type of work they seek and the duration for which they seek work. The panchayats are expected to provide employment to those registered persons who want manual work in those areas. The scheme would throw up useful data on the incidence of seasonal under-employment, locality-wise, as a by-product of its administration.

For assessing the effectiveness of Plan programmes in terms of employment generation, there is need to pick out selected programmes for study by special organisations like the Programme Evaluation Organisation and the Bureaus of Economics and Statistics. The Bhagwati Committee has specifically suggested the rural electrification programme in this context to be studied by the PEO. Such a study should really answer two questions. One, whether the target of employment generation has been achieved. Second, whether employment generation has been efficient and permanent. It has to consider the quality of employment generated and whether it was worth the financial and social cost involved. Obviously, such a study cannot fit in a general design of study of the impact of Plan programmes.

The study of impact of Plan programmes is expected to provide data base for preparing a composite index of development. There is, of course, the question of utilising such an index of development (at the state level) in the allocation of central assistance to the states, in addition to the five criteria already in vogue (population, tax effort, backwardness, needs of continuing irrigation and power projects and special problems). Unless the index is operationally used in decision-making the *ex post* evaluation will remain ineffective and would not be utilised in improving implementation of the Plan. On the other hand, if the idea of using this index in decision-making on the allocation of Central assistance funds is accepted, it will be better to supplement the development index with another 'performance index' where the different items of activity for the Plan programmes are taken into account, like the minimum needs programme, employment programmes, rural industries projects, etc.

Besides throwing light on the impact on Plan programmes, *ex post* evaluation has another important function in the field of project planning, *viz*, to analyse divergence between the benefit (or more precisely net benefit after

deducting costs) as originally planned in the project report and as actually received after the project reaches its production stage. Such an analysis is functionally important as feed-back to improve the project formulation exercise, "to refine and develop the *ex ante* evaluation model" [6]; more specifically, to identify the common biases in the detailed project reports as far as estimates of quantum and prices of output and input are concerned as well as the usual lapses in the time scheduling and phasing of the project. The UNIDO Guidelines on project evaluation (1972) emphasised this function of evaluation; "the evaluation of projects formulated may reveal some bias in formulation e g, a tendency to draw on too much imported equipment or too little domestic labour."

V

Conclusion

The above brief review brings to the fore many critical gaps in the data base of the economy — some in respect of national series and national parameters; some in micro level information, particularly at the project and the district (or sub-region) levels; some in analytical ratios, norms, yardsticks; some in classifications and cross classifications; and some in the basic primary data, which can be filled up only through well designed surveys. The planning work in the first stage emphasises the need to build up disaggregated figures for different national parameters like capital output ratios and to achieve better consistency in the commodity classifications of the field enquiries of the NSS and the analytical work of the input-output tables. Data on household savings and investments have to be built up through surveys. Further, the unorganised sector (including household establishments) has to be surveyed to fill up the primary data gap in the national income series. The series has also to be made more up-to-date. A review of the present developments in the second and third stages of planning work emphasies the lack of adequate attention to the quality of project level data, particularly in respect of output and input prices, output mixes and demand projections. Values of national parameters like discount rate, shadow price of foreign exchange, etc, remain to be finalised for project appraisal work. Administrative rules and procedures have to be geared up to build some of the necessary statistics as by-products — for example, by insistence on feasibility studies with the applications for licences or on registration with the Panchayat as in the Maharashtra Rural Employment Guarantee Scheme. For monitoring of projects, effective progress reporting needs to be done through well designed but brief formats and checklists. For *ex post* evaluation, data gaps could be filled through a comprehensive study of the impact of Plan programmes and a quinquennial survey of employment could be usefully linked with it. Proper cross-classifications in the tabulation plan need more adequate attention, as they go a long way to throw up estimates meaningful for analytical purposes in the planning exercise. This is most crucial in the employment sector. While depth studies on effectiveness of employment generation could be planned on *ad hoc* basis separately by suitable organisations, the case for Plan impact studies rests on building up a composite index of development and at a level below the state (say sub-regions, if not districts) so that regional imbalances could be analysed and effective watch kept on the extent to which regional disparities are reduced.

In brief, there is greater need for "new and better data on the distribution of benefits as well as costs of these [Plan] programmes." [7] The data system must support project/programme appraisal. "We must not only redesign our basic unit of observation but we must also conceptualise the entire data system to provide for more accurate descriptive and predictive capacity" [7]. The latter is increasingly becoming more important for planning purposes. The forecasting of exports and imports; of investment requirements for capital goods budgeting; of the leads and lags in agricultural prices; the response behaviour of farmers to different types of improved inputs and dosages (as in the case of fertiliser) are areas where data gaps become critical. Further, the data system must be built up to throw up warning signals for the economy as a whole, for the more critical sectors and for the core projects of the Plan. This will necessitate, on the one hand, building up of micro level data of adequate quality by the project authorities for public programmes/projects evaluation and monitoring and on the other, integration of socio-economic indicators into a "social analogue of the national accounting system". [7]

It should, however, be clearly understood that identification of critical data gaps is only the first step; ordering of priorities in filling up the gaps is the second. And this task is relatively more difficult, if the economics of information is given due weight in the decision making, as it should be. For the identified items costs and benefits of getting 'information' should be quantitatively studied, keeping in mind the alternative strategies and procedures of building up the necessary data. Again, the procedure, extent and form of summarisation of data at the different levels is important because of the triangular nature of the flow of information with the base at the lowest (project authority) level and vertex at the top-most level. The base is largest in terms of quantity but the top has the benefit of maximum purposeful information being presented briefly.

[The views expressed in the paper are those of the writer.]

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India and the Market of South and Southeast Asia

Ranjit Sau

There are several forces at work as a result of which the market for industrial goods in India tends to remain inelastic. The pattern of distribution of income and wealth, and the nature of technology imported from abroad are two of the major factors which are responsible for this inelasticity. In any case, so long as output restriction at home is a profitable proposition, who would care for export promotion!

The foreign demand for India's traditional exports is lately picking up, but the buoyancy of these agro-based or agro-related commodities is not likely to offer a long-term solution for India's exports. Among the non-traditional exports the potential strength of India lies precisely in those goods which embody the technology that is suited to Asian conditions.

In its own course Indian industry perhaps would not orient itself in the direction of developing the new technology. A suitable institutional framework has, therefore, to be provided to achieve this objective.

The author here puts forward the broad contours of such a proposal.

THE other day when President Richard Nixon and General Secretary Leonid Brezhnev were shaking hands in the White House a voice rose across the border up north, in Ottawa. It was the voice of the Prime Minister of India who was then visiting Canada. She reminded the countries of the Third World that the other side of the coin of the big power political detente might be big power hegemony over smaller countries. It is no coincidence that the same theme also ran through the fourth non-aligned summit conference at Algiers.

The 1970 is a decade of historic events in south and southeast Asia. The American military withdrawal from Vietnam, the emergence of Bangladesh as a sovereign state, the upheavals in Sri Lanka, Pakistan and Afghanistan, the struggle in Laos and Cambodia, these are all integral parts of an unfolding drama. But the drama can well turn into a tragedy.

I

In large tracts of south and southeast Asia the ravages of war have piled up on the age-old burden of abysmal poverty. The reconstruction and development of the countries in this region is a stupendous task. 'Garibi Hatao' is proving to be a fathomless gorge; when it is combined with the problems of rehabilitation of war-torn refugees, of reclaiming the erstwhile green lands now lying dead with a million tonnes of TNT, and the like, the enormity of it all can hardly be exaggerated. From Dacca to Da Nang, from Kabul to Colombo from Delhi to Jakarta, the picture is not identical, but in essence is much the same.

You can hire half a dozen economists to figure out the material requirements for reconstruction and development of south and southeast Asia. They can even compute for you the areas of comparative advantage for India, and produce a list of goods and services India can hope to export to the region. But the world does not wait for the Indian economists to calculate it. Japan is already preparing to exploit the vast Indo-China market; if it has not gone full steam ahead it is because of the restraining effect of the USA which is bent on promoting its own self-interest. The postwar reconstruction of North and South Vietnam alone is estimated to cost between $ 5 and $ 10 billion, an amount that is equivalent to as much as one-third of India's national income. More than five years ago the United States had made up contingency plans to capture the postwar Indo-China market. If this is not a superb example of long range corporate planning, what else is?

If the giant corporation in London, Paris, Bonn, New York and Tokyo have stacked their drawers with blueprints for exploiting south and southeast Asia, they have also found some economists to supply them the coordinates of a theoretical rationale. Under the auspices of the Asian Development Bank the well known Burmese economist, Hla Myint, now residing in England, has produced a poor man's Pearson Commission report, designed and tailored for Southeast Asia.[1] He has pleaded for completely opening the doors to multinational corporations. The indigenous entrepreneurs are advised by Myint to concentrate on minor irrigation works, feeder roads, simple agricultural tools, and the like, leaving the field of 'incentive' consumer goods as well as 'strategic inputs' — that is to say, the bulk of the industrial sector — to the super-efficient multinationals that will consummate the grand marriage of the economies of large scale production with the celebrated Hecksher-Ohlin theorem.

No doubt, the multinational corporations do have supreme managerial skill, sophisticated technology, and massive resources. Each of the largest four of such companies has an annual sales turnover of over $ 10 billion; that is to say, any one of them has the strength to take up the entire work of reconstruction of North and South Vietnam together. More than 200 of them have crossed the one-billion mark of sales turnover per year. The total book value of investment of all the multinationals in 1971 reached the bizzy height of $ 160 billion. The holdings of hard cash by the multinational corporations of the USA alone aggregate $ 268 billion which exceed twice the total of all international reserves held in central banks and international monetary institutions.[2] For the countries of south and southeast Asia, dealing with such giants is like sleeping with an elephant whose one small twitch can smash all the ribs. After all, Chile is still fresh in many a mind.

The current world monetary crisis but a symptom of deep-rooted malaise of the western countries which are also the home of multinationals outside Japan. There are indications that in the years ahead the conflict among the multinational corporations of the USA, Germany and Japan in particular would intensify; and one of the active theatres of warfare is likely to be in south and southeast Asia. The big power political *detente* is only shifting the front from Europe to Asia, from open political-military hostility to

economic cold war.

Confronted with this world perspective, what can the countries of south and southeast Asia do? Do they have to mortgage their sovereignty, equality and freedom in exchange for the dollar, pound, mark and yen? What is the role of India at this juncture?

II

On October 16, 1973 the Prime Minister, in the course of a press conference in Calcutta, observed that a certain section of the Big Business in India was exploiting the current economic difficulties by further restricting their production in order to reap high profits.[3] It can be argued that this is not a temporary, recent phenomenon. The Indian industry always has had a very narrow consumer base in the sense that the top ten or twenty per cent of the consumers claim most of whatever is produced by industry. Indeed, these consumers are a small oasis of high income in the desert of dire poverty.[4] In such

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circumstances evidently the creation of artificial scarcity rather than mass production is the golden key to super profit. And the Indian situation is very much typical of that in many other parts of Asia. During the early sixties in Pakistan, for example, 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 two-fifths of capacity. Country after country — Burma, India, Sri Lanka — presents much the same pattern of enormous idle capacity. Incidentally, this is so not only in this continent. In Brazil, for instance, utilisation of capacity, reckoned at one-shift basis alone, is estimated at 53 per cent for capital goods industry and 65 per cent for consumer goods industry. Shortage of supplementary inputs due to administrative failures or foreign exchange shortage is presumably not the whole answer.

Thus the vicious circle is complete. India is a country of paradox where less production pays more. The pattern of income distribution being as it is, the market for industrial goods is limited to a thin stratum of the population. In such a case, the road to high profit lies through low output. Hence employment does not expand much, which in turn reinforces the ominous circle. On top of it, the circle is compounded by the nature of industrial technology, to which we now turn.

As a broad generalisation it is observed that, in the flow of technology in the world, India like many of other developing countries of Asia, Africa and Latin America is at the end of the receiving line. Sophisticated American technology is moving into Europe, and from Europe relatively obsolete technology is being pushed out into the Third World. This is the major current of technological flow in the world today, of course, there are other relatively minor ones. It is now well recognised that the technology of the west, American or European, does not sit well with the resource endowments of south and southeast Asia in particular. In fact, Gunnar Myrdal was once constrained to observe that the "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 prospect". It is not our costs and our benefits that enter into the cost-benefit calculus of multinational corporations which develop, promote and transfer Western technology. In the fourth Asian Labour Ministers' conference held in Tokyo, India's Labour Minister K V Raghunatha Reddy "cautioned developed countries against exporting their 'obsolete' technology to the developing countries in the guise of 'appropriate technology". He continued: "What we, the developing countries, need is not the outmoded, obsolete technologies of the developed countries, but innovative technologies which are specifically adapted to the requirements of these countries in the different stages of development".[5]

Thanks, partly, to the nature of imported technology the share of wages in industrial income has been steadily going down in India, even though the wage rate per worker, with due allowance for price changes, had remained virtually stagnant during the three decades between 1939 and 1969.[6] And this has helped the top 10 or 20 per cent of the population to further consolidate their economic position.

Much like India, the countries of south and southeast Asia need innovative technology, not technology that creates economic enclaves, but technology that creates jobs for the millions. And, I believe, this is the area in which India has the best potentiality for setting an example.

India has a diversified industrial base, much ahead of many of the countries in this region. It has a relatively vast reservoir of industrial experience, of scientific and engineering skill. India's engineers, scientists, technicians, and artisans are capable of rising to the occasion, provided the government and the industry come forward to accept the challenge. For, innovative technology cannot be bred in laboratories alone, it has to be perfected in the punishment of every day use. It is not a set of formulas to be written on the blackboard; it has to originate from day-to-day experience. It has to take concrete shape in the form of machines, equipment and products which would create jobs, not displace labour. It would give a great fillip to the economy, if, for instance, the technology of small-scale fertiliser plant can be developed and adapted to Asian conditions so that every village could have a fertiliser plant. The Asian market for innovative technology is practically boundless; and one can be sure that the competition of giant multinational corporation will be much less severe in such fields. Should such a strategy be followed on a wide front, the multinationals can be even held at bay on Asian soil. Clearly, this is not the Hla Myint strategy of complementarity with multinationals; but it is one of turning ourselves to the genuine needs of Asia which are basically not in line with the interests of foreign monopolies. India has the means — human, material and scientific — to translate this mission into reality. Whether these means would be correctly deployed is, however, another matter.

III

Recently India's exports are looking up; but it is mostly due to the unprecedented performance of overseas sales in textiles, just and leather manufactures. The revised, upgraded, export target of Rs 2060 crores for 1973-74 expects only a small component of Rs 190 crores from engineering goods, and another of Rs 180 crores from chemicals, rubber products and footwear. That is to say, India still does not have much by way of industrial goods apart from jute and cotton textiles that can be offered to the world in general, or south and southeast Asia in particular. Any likely prospect in future is bound to be overshadowed by the giant multinationals which are waiting in the wings. Besides, the light and medium engineering goods in which India has built up an export potential might be considered inessential imports by some of the importing countries, and therefore they would become the first casualty in the wake of any recession in those countries.

Of course, due to the revaluation of the Japanese yen, Indian exports have lately gained an edge over their rivals in the Asian market. Moreover, the current industrial boom in east Asian countries has set the stage where India can possibly carve out a firm place for its exports. But trade presupposes efficiency. And efficiency is indivisible. You cannot have an export sector which is efficient while the rest of the economy is riddled with wastage and incompetence. That is to say, if Indian industries aspire to make a strong bid for promoting their exports in Asian market in the face of stiff competition from super-efficient multinational giants — Japanese, American and others — the efficiency level of Indian industries themselves has to be raised. It sounds like a cliche; but nevertheless it can be overlooked only at one's own peril. A cliche it may be; but it can also be turned around to justify the inroad of multinational corporations into India's industries, all

in the name of efficiency and export. But one must not forget the lesson of South Korea. In South Korea exports are growing at the fantastic rate of 40 per cent a year, but so much is siphoned off by the foreign capital that the country runs up annually a huge deficit in the balance of payments which is in turn financed by yet more inflow of foreign capital. The merry-go-round continues; and meanwhile the economy sinks deeper into the quicksands of debt and still more foreign debt.

In the wake of postwar reconstruction in Asia, Indian exports of such items as textiles, textile machinery, sugar machinery and leather goods, are expecting a better future. These prospects are of course to be utilised and consolidated; but the fact remains that such goods cannot sustain an expanding market for India's exports in the long run. The relatively transitory buoyancy in a few agro-based or agro-related commodities must not lull the Indian manager into complacency.

It is also not sufficient to think in terms of the export market for non-traditional goods in general as such. The accent has to be placed on particularly those non-traditional export goods which would embody the innovative technology suited to Asian conditions. Only those goods can assure India a firm, growing market in south and southeast Asia. Moreover, it is in the long term interest of India's domestic market as well that industrial technology is adapted to its own factor endowments.

But the logic of the present situation in the Indian economy being as it is, there are doubts whether the Indian industry would reorient itself in this direction. If it does not, then an appropriate institutional framework has to be set up for changing its course. Ignoring the details for the moment let me present to you a proposal which is designed to help achieve three fundamental aims, namely, (a) the enlargement of the domestic market of India's industry, (b) the economic reconstruction and development of south and southeast Asia without surrendering to multinational corporations, and (c) the expansion of India's exports in this region.

It is well known that in all organised activities together, outside agriculture, the employment in public and private sector respectively is in the ratio of 3 to 2. But insofar as only factory employment is concerned the private sector has an overwhelming lead, accounting for approximately 80 per cent of the total.[7] It is also known that the backlog of unemployment has been mounting over the years; that none of the five year plans has been able to absorb the net addition to the labour force in the respective five years, let alone reduce the backlog. In recent years, the volume of employment in the private sector had been actually declining.

Against this background, let the big business houses in India be asked (not merely because they are big, but primarily because they do have the resources) to increase their own employment at the rate of, say, ten per cent a year. In case this proposal is accepted and effectively implemented, three consequences would follow: first, the domestic market of industrial goods would expand, and secondly, and more important, Indian industry would feel the urge for adopting labour intensive technology. The laetter would create an environment which is conducive to developing a new technology suitable to Asian conditions. And as we have argued above, the Asian market for innovative technology still remains largely untapped. So, thirdly, India then can profitably export this technology to the countries of south and southeast Asia.

Should the business houses be unable or unwilling to adequately increase employment, they would be asked to contribute a certain percentage of their annual turnover every year to a fund which would be utilised in promoting industries that are geared towards development and promotion of Asian technology.[8] To be sure, India does not lack competent engineers, scientists and artisans who can accept this challenge.

IV

To sum up, there are several forces at work as a result of which the market for industrial goods in India tends to remain inelastic. The pattern of distribution of income and wealth, and the nature of technology imported from abroad are two of the major factors which are responsible for this inelasticity. In any case, so long as output restriction at home is a profitable proposition, who would care for export promotion!

The foreign demand for India's traditional exports is lately picking up; but the buoyancy of these agro-based or agro-related commodities is not likely to offer long-term solution for India's exports. Among the non-traditional exports the potential strength of India lies precisely in those goods which embody the technology that is suited to Asian conditions.

In its own course the Indian industry perhaps would not orient itself in the direction of developing the new technology. A suitable institutional framework has, therefore to be provided to achieve this objective. We have put forward the broad contours of such a proposal. In a word, it is as follows: the business houses in India must increase their employment at a certain stipulated rate per year; otherwise, they have to contribute every year a fraction of their annual turnover which be then used for development of industries that promote and adopt Asian technology. This is one of the limited number of available options which can break the syndrome of output restriction, as well as the hegemony of Western technology, and simultaneously enable India to establish itself in the market of south and southeast Asia.

Notes

[This article is based on an address given at the National Management Conference, Calcutta, December 1, 1973. The views presented here at the responsibility of the author. The author is grateful to the sponsors of the conference, the Indian Institute of Management Calcutta and the Calcutta Management Association for giving him permission to use the address in this way.]

1 "Southeast Asia's Economy: Development Policies in the 1970s" (Penguin 1972). For a review of this book see Ranjit Sau, "And Now, Gentlemen, the New Strategy for Industrialisation", *Economic and Political Weekly*, (September 9, 1972).

2 See "Multinational Giants", *The Economic Times*, August 27, 1973.

3 News Bulletin of All India Radio, Calcutta, October 16, 1973.

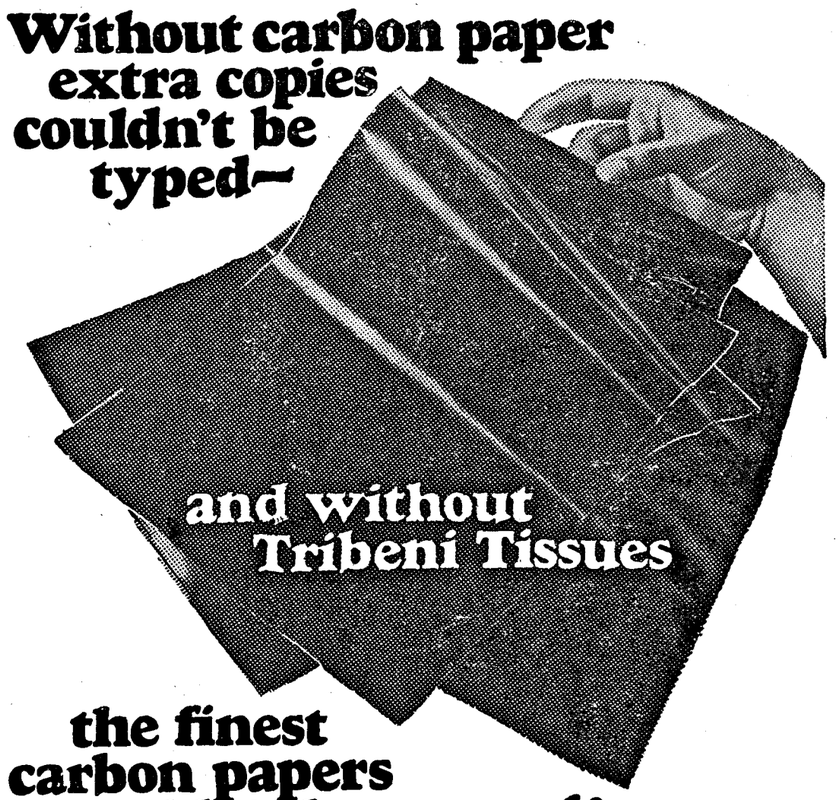
4 See Ranjit Sau, "Indian Economic Growth: Constraints and Prospects" (Delhi: Orient Longman, 1973), Ch 1.

5 *Economic Times*, October 2, 1973.

6 Ranjit Sau, "Indian Economic Growth", Ch 1.

7 Ranjit Sau, "Growth and Fluctuation in the Indian Economy", *Economic and Political Weekly*, Special Number, August 1973.

8 When this paper was already in a fairly advanced stage, I came to understand, from private communication, that Ashok Mitra had suggested a similar scheme in the context of tackling the unemployment problem of India. See, Note of Dissent in "Report of the Committee on Unemployment" May, 1973, Government of India.



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Police in Action

A DISTINCTIVE feature of last month's disturbances in the capitals of Maharashtra and Gujarat has been the persistent charges of police brutality. In Bombay, eye-witnesses have testified to the systematic use of force by the police to suppress peaceful meetings and processions organised by the Dalit Panthers even as those attacking the scheduled castes were more or less left alone to do as they pleased. As if to confirm that this was no aberration, a few days later the Bombay police stood idly by and watched as participants in a Shiv Sena procession looted South Indian restaurants and pavement hawkers' wares and murdered one of the hawkers. But when the hawkers in protest attempted to take out a procession to the Police Commissioner's office, the full fury of the police was turned against them and by the time the blood-letting was over, nearly 150 persons had been injured.

The partiality and high-handedness of the police in these two instances was so blatant that even the Bombay Municipal Corporation adjourned its meeting on January 30 without transacting any business to protest against "the reign of terror resulting in loss of life and property to the citizens and incidents of attacks on innocent people in the presence of the police". The unanimously-adopted adjournment motion alleged that the police "exhibited partiality in dealing with the situation and created apprehension in the minds of citizens that there was a virtual breakdown of law and order in the city". The leader of the Congress municipal party, seconding the motion, demanded an independent enquiry into "police excesses, police partiality and police indifference".

In Ahmedabad, the three-week long disturbances which finally forced the government to call out the army last Sunday were stoked by instances of police atrocities. Early in the sequence of disturbances, on January 5, the police and the SRP are alleged to have stormed into the hostels of the Gujarat University and beaten up students besides looting cash and other valuables.

In all these incidents the question may be asked whether the police was doing what it had been told to do by its political masters or whether it was acting on its own initiative. About the incidents in Bombay there is enough evidence of the Maharashtra government's vicious and vindictive attitude towards the Dalit Panthers — seen, for instance, in the manner in which the prominent leaders of the organisation have been arraigned on one charge after another — and of its close links with the Shiv Sena, to explain the police behaviour towards these organisations as having been government-inspired. At the same time, it is true that in both Bombay and Ahmedabad some of the excesses of the police have embarrassed the respective governments. However, the distinction between inspired and independent police brutality is not very significant, for police behaviour of the two types is closely connected. If recently there have been signs of the police getting out of hand, this surely has something to do with the government's growing need to use the so-called forces of law and order to put down various types of political challenges to it and also with the growing awareness within the police, at different levels, of the government's dependence on it.

The government itself has on occasions admitted to this dependence, though naturally in rather euphemistic tones. Addressing an all-India conference of inspectors-general of police last October, the Union Home Minister referred to the changing role of the police and cited maintenance of peace to ensure uninterrupted industrial and agricultural production as one of the new responsibilities that had devolved on the police. Addressing the same conference the previous day, the Minister of State for Home had in the same vein referred to the role of the police in dealing with socially disruptive forces in a satisfactory manner. By now everyone — and the police most of all — knows what a variety of situations can be brought within the ambit of action supposedly aimed at "maintenance of uninterrupted industrial and agricultural production" or at dealing with "socially disruptive forces".

Nor is it only a matter of the government regularly falling back on the police to tackle situations created by its own multifarious political and economic failures. An equally important factor determining the attitudes of the police has been the government's readiness, when faced by a serious enough threat, to resort to the most brutal and vicious methods, throwing to the winds established laws and proprieties. These range all the way from police surveillance and intimidation, successive arrests on a series of trumped up charges and indefinite detention as undertrial prisoners to straight political murders dressed to look like deaths in encounters with the police or in attempted jail breaks. In every case the police is the government's accomplice. After this, is it any wonder if the behaviour of policemen, individually and collectively, frequently

falls short of copy-book standards, especially when dealing with scum like the untouchable Scheduled Castes or petty pavement hawkers?

The impact of political factors like the above is heightened by organisational frustrations such as the miserable salaries and virtual non-existence of promotion prospects (almost nine out of ten of those who join the police as constables or as sub-inspectors retire in those same ranks) which are the fate of the overwhelming majority of the police force. Besides, not being isolated from the rest of the population like the army, some of the mass distress arising from the lack of food, the spiralling prices and the growing unemployment does rub off on the police.

Immediately, it may be that the impact of these factors is seen in greater arbitrariness and viciousness in police behaviour. However, also exposed in the process are the developing chinks in this particular coercive arm of the government. Fortunately for the government, none of the established opposition parties is likely to be able or anxious to exploit these chinks. After all, was it not the CPI(M) Home Minister of the then United Front government in West Bengal who first despatched the crack Eastern Frontier Rifles to Gopiballavpur to wipe out the Naxalite movement there?

Jute Strike

Vanished Bounty

THE strike now on in the jute industry, which, despite official protestations, is very nearly total, has a particular significance for the trade union movement in West Bengal. Nearly 70 per cent of the workers in the industry are from Uttar Pradesh and Bihar. It is only in the more recent years that they have come under the influence of the unions, but progress has been rapid. The proportion of those who are members of trade unions in now about the same for workers hailing from within the state and for those from outside. The position was altogether different ten years ago. A further shift of tremendous import has come about. Ten years ago, at least four-fifths of the labour coming from outside used to follow the flag of the Indian National Trade Union Congress. Evidently, it is no longer so. The Centre for Indian Trade Unions and the All-India Trade Union Congress can now claim the allegiance of as large a share of the non-Bengali labour as the INTUC.

The main issue involved in the strike is pretty straightforward: the employers and the government are prepared to offer Rs 2 crores per annum additionally to the workers, while the latter are asking for a minimum of Rs 8 crores. After many years of anaemic existence, the Indian jute industry has suddenly looked up. The Bangladesh holocaust proved a godsend in 1971-72; and now the global energy crisis has completely reversed the earlier forecasts of gloom for it. The earnings from jute exports in the current fiscal year are expected to be higher than what they were last year by at least Rs 150 crores. Some of the increase is of course the product of exchange rate fluctuations. But that would only account for Rs 20-25 crores of the gains. As the petro-chemical industry is thrown into greater uncertainties on account of the turmoil over oil supplies, the prospects for jute are likely to improve further in the coming months.

The workers point out that the recent adjustments in export duty have meant a further bonanza of Rs 30 crores per year for the manufacturers. The concessions in export duty, it was assumed, would be passed forward to the consumers abroad. Since meanwhile prices in the world market have firmed up beyond expectations, the manufacturers have found no reason to offer relief to the consumers and have themselves appropriated the extra benefits. Why must not they, the trade unions ask, share their good fortune with the workers? Why should not they offer a better deal to the temporary and casual workers who still constitute 30 per cent of the total work force in the industry? There are some workers who have been with the industry for the past 30 years and are yet not carried on the regular roll and are thus deprived of proper wage-scales as well as provident fund, gratuity and health benefits. Why should not the manufacturers agree to effecting a slight improvement in wage-scales across-the-board and in bonus so that the employees of the jute industry, which still remains the nation's major exchange earner, begin to get at least two-thirds of what the cotton textile workers obtain in Bombay?

The tycoons in the industry do not deny that their profits have bulged in recent months, but these profits, it is being maintained, must be jealously husbanded and ploughed back for modernisation and renovation. Nobody however knows for certain what the jute manufacturers have done with the fabulous profits they reaped in 1971-72. There is little evidence to indicate that these profits were even marginally deployed either for modernisation of the industry itself, or for promoting other industries in the eastern region. On the other hand, given the close links between the industrial and the trading interests involved in jute, a considerable part of the money made in jute, it can be suspected, is finding an outlet in trade and speculation, so much so that the extra profits currently being realised from the processing and the export of the fibre are providing the wherewithal for cornering the stocks of paddy and rice, and thus are partly responsible for the failure of kharif procurement.

The attitude of the Indian Jute Mills Association is understandable. The loss in foreign exchange on account of the strike not being their loss, the manufacturers could not care less. A temporary stoppage in production, on the other hand, is enabling them to dispose of the existing stocks of sacking and hessian at sharply increased prices. They can also now further depress the price of raw jute and buy on the quiet, at low prices, large quantities which would enlarge their rate of return when production is resumed. It is the reaction of the authorities which is totally inexplicable — never mind what happens to the country and its foreign exchange earnnings, since the jute workers have deserted the INTUC and decided to follow the flag of the CPI(M)-dominated CITU, they must be made to suffer.

Indonesia

Counter-Productive Growth

THE fierce resentment expressed by rioting students and unemployed youth during Japanese Prime Minister Tanaka's mid-January visit to Jakarta is only a surface symptom of the deep cleavages in Indonesian society which the military rulers have enhanced by their methods of economic management during their nine years of unfettered power. In crude terms of GNP growth and investment rates the economy may seem sound on graphs and charts, but in terms of benefit to the population the situation has demonstrably worsened since Sukarno's years which were bad enough.

For instance, 35 per cent of a work force of 39 million are unemployed with 1.4 million being added to the ranks of the jobless every year. Capital, predominantly foreign, has flowed into oilfields, mines, plantations, industry and timber, but created only about 20,000 jobs for Indonesians. The profits of the foreign companies are huge and whatever capital is invested is usually repatriated within three or four years. There are hardly any controls on foreign investment for fear of driving it away. The result of such policies is that Indonesia has had to borrow more than 1,500 million dollars from foreign creditors. When Sukarno was divested of effective power in 1965 the foreign debt stood at $ 1,270 million (53 per cent of which was owed to socialist countries): now it is far higher and servicing it uses up almost 20 per cent of Indonesia's annual foreign exchange earnings. Not surprisingly, the balance of payments deficit rose from $ 248 million in 1965 to $ 419 million in 1970.

To demonstrate its sound financial position to foreign investors, the government has sought to balance its budget by cutting public expenditure, while keeping corporate taxes low. To build the basic infrastructure to attract private foreign investment, the government has borrowed heavily abroad. In this way the country has got further into foreign debt in order to increase the profits of industrial organisations, mostly foreign controlled, which have only a marginal effect on the local economy. And the regime has to keep borrowing abroad to keep the foreign investor happy. Whatever few benefits accrue to Indonesians are swept up by the ruling generals and their clique. Often this is done through corrupt deals with the foreign investors.

To cut government expenditure, the regime has picked on items of social welfare such as public health and education. One of the few outstanding successes of Sukarno's time was a widespread and free school education system. Education was once available to almost all children; now it cannot be afforded by half the children of school-going age as it costs 700 rupiahs (Rs 13) a month to be at school. Many Indonesian families cannot afford that. The Indonesian military regime has done all in its power to prove that for the overwhelming majority of the population untramelled and unplanned economic growth is counter-productive.

The Joint Float

Three Coins in a Fountain

THE French franc is now out of the European joint currency float. The French decision came as a surprise to many, as the French were known to be champions of fixed parities and were totally opposed to floating exchange rates. It was only as a compromise solution that France had joined the 'currency snake' which ensured smaller variations in exchange parities among the six countries participating in the joint float. In course of time, though, the rules of the joint float were interpreted liberally and a member was allowed to rejoin the snake after altering overnight its currency parity *vis-a-vis* the other member currencies. This facility notwithstanding, France has now decided to remain outside the joint float; the decision to that effect was taken last Saturday at an emergency meeting of the French cabinet.

The pressure on the French franc at the time of the decision was certainly much less than it was only a few months ago. The underlying condition of the French economy is quite healthy. The trade figures for December 1973 indicated a sizeable surplus of Frs 935 million which brought the total trade surplus for 1973 to Frs 6,683 million (or about $ 1.3 billion). The West Germans, moreover, had assured France credits worth $ 2.3 billion with a view to inducing it to remain within the joint float. In rejecting the offer and deciding to have an independent float for the franc, the French were thus taking a political decision of deep significance. While it has been claimed that the franc would float independently for six months, sceptics among the prominent exchange dealers in New York have observed that "it will be the longest six months the foreign exchange market has ever known". There is also no official statement that France will rejoin the joint float at a later date.

According to the French Finance Minister, Giscard d'Estaing, the oil crisis would create serious difficulties for the international monetary system, and France has to take effective measures to protect its own reserves against speculative movements. He has predicted that France would experience a trade deficit of Frs 18 billion in 1974, as against the earlier estimates of a surplus of Frs 8-9 billion for the year. The independent float of the franc is, therefore, intended to ensure its devaluation *vis-a-vis* other currencies. Such a devaluation would be difficult to achieve within the joint float which is influenced considerably by such strong currencies as the D-Mark, the Belgian franc, and the guilder. The French want their franc to find its own level on the exchange markets, and must hope that market forces would help them to achieve substantial increases in exports and a reduction in imports.

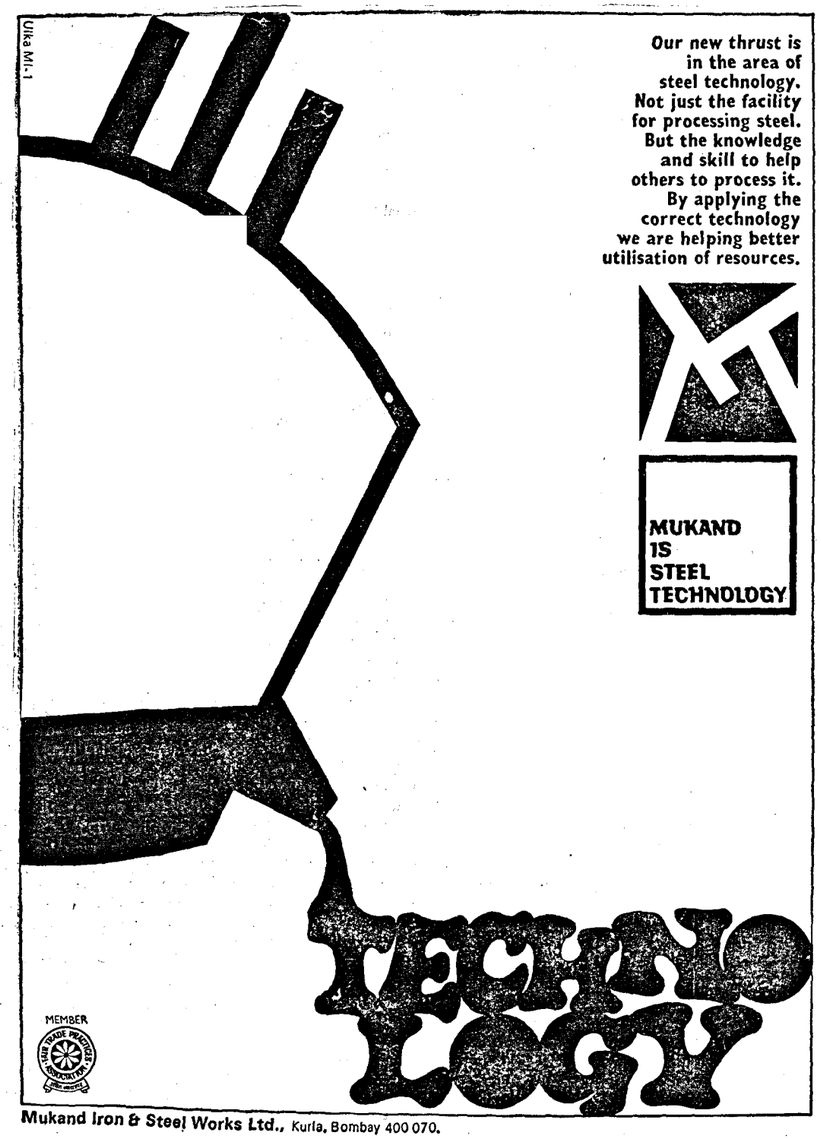
Politically, the French have evidently opted for tackling the problems arising from the oil crisis independently of the other participants in the joint float. It is well known by now that West Germany and the Netherlands are sympathetic to the American idea of a joint policy, among the major oil consumers, for the oil crisis. In refusing to co-operate with the others in any such joint policy in which the US is likely to have a dominating voice, the French no doubt want to impress the Arabs. France is aiming to demonstrate its dissociation from the US threat of intervention against Arabs as well as from the other US sympathisers.

The French decision has upset the EEC Commission considerably. For, it means not only the shelving of the concrete proposals for a monetary union for the time being, but also numerous headaches in administering the common agricultural policy which claims a major part of the EEC budget. The French move implies underbidding one another's exchange rates, and the EEC Commission is worried that it may lead to a competitive exchange rate depreciation. Fortunately, for the time being at least, this fear could be discounted, as the remaining five participants in

Annual Number

The Annual Number of *Economic and Political Weekly* will be published towards the end of this month. It will be priced Rs 10 per copy, but will be supplied free to subscribers.

In view of the Annual, there will be no issues on February 9, 16 and 23.



the joint float have agreed to continue to support the currency snake. But all the same, the French decision will give a setback to the efforts of the Commission for greater economic integration.

The floating franc has in fact already depreciated by about 4.5 per cent from its previous parity. The French central bank had to intervene in the market to stop it from falling further, which suggests that the French are not immediately interested in a full fall of the franc. The official intervention also indicates that France was not interested merely in any particular depreciation for its currency as it could have achieved this even by remaining within the joint float and re-entering the 'snake' at a lower parity. Evidently, it wanted to be unfettered by the rules of the joint float, which require members to pay the costs of the support operations for a member's currency in proportion to the various assets — gold, dollars and SDRs — in their reserves. The official price of gold is at $ 42.2 per ounce, and France is clearly unwilling to part with its gold at this low price when the market price is around $ 135-140 per ounce. The lure of gold, along with other political reasons, has persuaded France to opt out of the 'snake'.

West Bengal

Congress Flags and Sten Guns

Our West Bengal Correspondent writes:

WHILE the government has been desperately trying to retrieve its prestige by breaking the fortnight-old general strike of the 250,000 jute mill workers, sections of Congress supporters have begun to strike defiant postures. Women's Congress militants recently gheraoed the WBPCC Executive Committee with the demand for effective action to hold the price line; the Central Calcutta Youth Congress has announced that it will serve a 15-day ultimatum on the Congress government calling for action to alleviate popular misery; the Save Education Committee — a rival body of dissident youth — has gone one better and served a shorter, 10-day, ultimatum to the same effect.

The Chief Minister 'works' mainly in New Delhi and pays only courtesy calls on the state secretariat during his short 'visits' to Calcutta. He even failed to turn up for an emergency cabinet meeting convened by him from his New Delhi headquarters to discuss the virtual collapse of the procurement drive. He was recently sharply criticised by his fellow Working Committee member, Priya Ranjan Das Munsi, MP, for his frequent and long absences from the state.

These new articulations of discontent have as their backdrop the pervasive faction fights in the ruling party — frequently developing into bloody clashes on the streets. On January 11, large parts of central Calcutta were paralysed for about seven hours because of the free use of bombs and barricades by the two major factions among the Congress youth. Similarly, on January 17, the rival wings of Congress students clashed violently in two colleges. There are, besides, the less sanguinary, though no less bitter, attacks by the old style operators led by the veteran Congress leader, Bejoy Singh Nahar, who recently told a public meeting that "the government being run with the help of some corrupt people had brought the state to a near-famine condition". If the present leadership of the party failed to deliver the goods, others would take up the responsibility, he added significantly.

The situation within the Congress has reached such a pass today that even top leaders of the party no longer care to conceal its ugly features. One of the general secretaries of the state Congress some days ago spoke of "some Congress leaders carrying the Congress flag and sten guns".

A new feature of the present round of faction fights in the Congress is the interweaving of power politics with certain wider issues, particularly that of the party's relationship with the CPI. One section, led Das Munsi and Subrata Mukherji and blessed by the Union Minister of State, Debi Prasad Chattopadhyaya, has been taking part in some forms of mass action, largely of the ritualistic variety, along with CPI-led organisations, particularly among the youth. It has also been pressing for the revitalisation of the Progressive Democratic Alliance (PDA) with the CPI. However, the rivals of this group, both in Calcutta and in the districts, are becoming more vocal in denouncing the CPI. At the last meeting of the WBPCC, Jainal Abedin, a member of the state cabinet and a leader of the anti-CPI wing of mofussil Congressmen, reacted sharply to Das Munsi's plea for reactivating the PDA. Abedin compared the CPI with "a snake in the bedroom" and declared his determination to split the state Congress if the proposal for closer ties with the CPI was really pressed. The CPI daily, *Kalantar*, for its part, has chosen Abedin as the target of its attacks as the representative of the 'kulaks' and their political allies in the Congress.

The failure of the state's procurement programme has injected a dose of acrimony into the fraternal dialogue between the Congress and the CPI. As against the target of procuring 500,000 tonnes, the government has so far been able to collect only about 60,000 tonnes, though the marketing season has passed its peak. This is about 20,000 tonnes less than the quantity procured from a much smaller harvest during the corresponding period last year. In the meantime, the large landholders have perfected their *bandobast* for concealing their stocks by distributing them among their trusted neighbours, including sharecroppers and landless labourers. Side by side, they have recruited thousands of people from the rural poor — men, women and children — to organise large-scale smuggling of rice to markets within the state and outside. The wide ramifications of these smugglers' rings can be guessed from the fact that when some college students were arrested by the railway police in Hooghly district for smuggling rice, a large crowd gheraoed the local police station to demand their release.

LETTER TO EDITOR

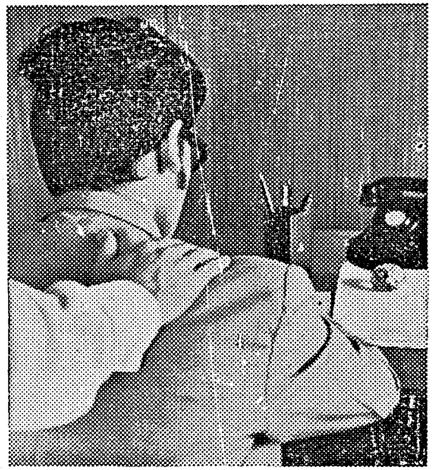
A Fernandes

OLD-TIMERS, who remember Sachin Chaudhuri's somewhat amateurish, but always nonchalant, ways of making a viable journal out of *The Economic Weekly*, will feel deeply sad at the news of Alphonso Fernandes's sudden death. Life with Sachin Chaudhuri and the *Weekly* was always chancy. But Fernandes stayed the stretch; his loyalty to the journal never wavered. *The Economic Weekly* in course of time became the *Economic and Political Weekly*; it was a transition marked by challenges and perils, more so since Chaudhuri passed away so soon after the commencement of the new journal. But Fernandes was around, steadfast in his devotion. A good, kind, conscientious man is now gone. His friends will miss him.

ASHOK MITRA

Calcutta

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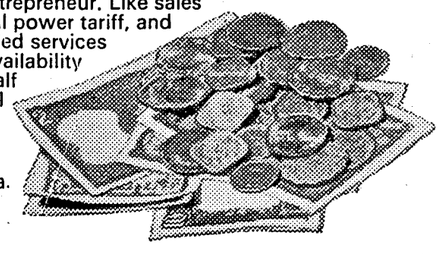
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Eaten by Mice

Hansavivek

FERTILISERS AND CHEMICALS, TRAVANCORE (*FACT*) has incurred further loss in the year to March 1973 that raised the accumulated deficit to Rs 9.81 crores. The fresh loss is attributed to shortfall in production due to a strike coupled with increases in the cost of raw materials, labour and freight unaccompanied by increases in the statutorily fixed selling prices. The company's annual report says that the financial loss during the period of the strike was Rs 230 lakhs. Regarding the discrepancies in stocks of rock and sulphur mentioned in the previous year's report, it is stated that investigations in respect of officers under the control of the management have been completed and enquiries into their conduct have been ordered and that in respect of other officers the government of India is taking action. A special audit covering all high-value items in the store, including rock phosphate and sulphur, has been arranged by the Comptroller and Auditor General. The auditors in their report say that they were told that on verification of stocks of raw materials conducted after March last, shortages were noticed in the physical balances of sulphur, rock phosphate and packing materials of the aggregate value of about Rs 16 lakhs.

During 1972-73, FACT produced 2.33 lakh tonnes of fertilisers against 2.86 lakh tonnes in the previous year and the installed capacity of 5.65 lakh tonnes. Production of mixtures was 70,747 tonnes against 1.01 lakh tonnes in 1971-72. Output of chemicals was 1.20 lakh tonnes against 1.64 lakh tonnes in the previous year and the installed capacity of 2.56 lakh tonnes. The report adds that there was a section-wise strike and a general strike from May 3 to July 6 last year. Due to the sudden and long shut-down there was serious damage to plant and machinery and heavy maintenance was required and it took considerable time to get the plant to operate at the normal levels of production. This implies that even the current year's results have been affected by the labour unrest.

In regard to the Udyogamandal project, trial runs of the new 150 tonnes per day ammonium phosphate plant was taken up in December 1972, but modifications and improvements to the indigenously procured equipment were found necessary. These are expected to be completed during this year. Improvements to the Chemiebau acid plant are expected to be completed by June next. The delay has been due to late receipt of import licence. The operations of the cryolite plant has also revealed certain deficiencies in some of the equipment. Commissioning trial runs for the Cochin fertiliser project phase I continued last year, but here too defects were found in equipment, requiring major and time-consuming modifications. Progress in

The Week's Companies

(Rs in Lakhs)

	FACT		Chloride India		India Carbon	
	31-3-73 Latest Year	31-3-72 Last Year	31-8-73 Latest Year	31-8-72 Last Year	30-6-73 Latest Year	30-6-72 Last Year
Paid-up capital	4999	2489	212	212	80	80
Reserves	3	19	362	260	127	125
Borrowings	5251	5419	19	28	194	115
of which Term borrowings	5072	4834	7	12	117	69
Gross fixed assets	10088	9219	422	381	316	313
Net fixed assets	8523	7843	184	168	173	194
Investments	36	36	27	27	—	—
Current liabilities	2299	2482	332	292	157	113
Current assets	2925	2233	714	597	270	194
Stocks	1147	1145	316	299	193	147
Book debts	637	635	281	288	72	40
Net sales	2321	3423	1359	1160	386	575
Other income	39	28	28	33	27	10
Raw material costs	1142	2132	684	596	229	344
Wages	376	363	186	167	64	51
Interest	133	212	6	7	20	10
Gross profit (+)/loss(—)	—88	—209	336	264	54	73
Depreciation provision	161	173	27	23	24	28
Tax provision	—	—	192	147	—	13
Net profit(+)/loss(—)	—249	—382	117	94	30*	32
Development rebate provision	—	—	4	6	—	12
Transfer to reserves	—	—	61	40	18	8
Dividend						
Amount	—	—	E 52	48	P 2 E 10	2 10
Rate (per cent)	—	—	E24.50	22.50	P 9.3 E 18	9.3 18
Cover (times)	—	—	2.17	1.84	2.50	1.80
Ratios (per cent)						
Gross profit/sales	—	—	24.72	22.75	13.99	12.70
Net profit/capital employed	—	—	19.73	18.80	7.48	10.00
Inventories/sales	49.47	33.45	23.25	25.78	50.00	25.56
Wages/sales	16.20	10.60	13.69	14.39	16.58	8.87

* Before providing for taxation.

commissioning of the plants has been slow and interrupted because of problems with equipment and the sophisticated design of the plants. Meanwhile, the cost of the project is estimated to have gone up by about Rs 7 crores over the estimates revised in September 1972. Besides, levy of income-tax on expatriates and differential excise duty on naphtha may increase the cost of the project by another Rs 6 crores, if the company's representations are not accepted. There has also been some delay in the Cochin fertiliser project phase II, which is now expected to be completed by February or March 1975. A fresh contract has been entered into with Norsk Hydro.

CHLORIDE INDIA's expansion programme of doubling the Chinchwad factory and of setting up a polypropylene container plant is well in progress. Meanwhile, a fresh application has been made for a further expansion of the Chinchwad factory with substantial export commitments and dilution of foreign shareholding as per the government guidelines. The company's application for fuller utilisation of the existing capacities has been approved, and the management is negotiating with government in respect of export stipulations. The collaborator, Chloride Group, has been assisting the Indian company in achieving progressively larger export targets, in import substitution of raw materials and in research and development. Of late it is also assisting in indigenous development of sophisticated plant and machinery. Also, CIL has been enabled to evolve, at economical cost, an optimum balance between lead usage and product life. The company claims that its products give maximum life per unit of lead used and enjoy strong preference in the quality conscious segment of the market. The company has produced good results for 1972-73, with increases in sales and earnings. Both the ratios of inventories and wages to sales have been brought down. Dividend, stepped up two points to 24.5 per cent, has a better cover than in the last year. Since the company's application for a bonus issue on a one-for-three basis had been pending with government for a long period and in the meantime reserves have increased substantially, the company has made a revised application for issue of bonus shares on an eight-for-nine basis. The company's export earnings last year amounted to about a crore of rupees. In terms of volume, exports comprised over 21 per cent of the Company's total automotive battery production. J Sengupta, managing director, is confident that the company will make further progress in the export field.

INDIA CARBON has turned out poor results for the year to June last owing to lower production in the carbon division. The Gauhati and Budge Budge plants together produced 58,700 tonnes of calcined petroleum coke against 92,200 tonnes in the previous year. The shortfall occurred because of the imports allowed by government, lower production of aluminium in the country on account of power-cuts, and Indian Oil's Barauni petroleum coke calciner having been in production. But production and sales of DOP in the chemical division were better at 2,145 tonnes and 2,370 tonnes against 1,775 tonnes and 775 tonnes, respectively. These figures would have been still higher, but for scarcity of phthalic anhydride, an essential raw material, due to a major breakdown in the suppliers' plant. No provision has been made for the tax liability for 1972-73, as it is stated that tax matters are under dispute and that tax would be provided out of the general reserve. Dividend is maintained at 18 per cent. In addition, the board has proposed issue of gift shares on a one-for-two basis. The directors expect better sales and profitability this year, with the restoration of power supply to the aluminium industry. The company has also started to manufacture from September last, for the first time in the country, calcined anthracite coal which is an essential raw material for production of aluminium. An agreement for sale of the ethrolamines plant to 'Amines and Plasticisers' has been concluded. The company has approached government for permission, under the MRTP Act, to hold 50 per cent of equity shares in the new company. A technical assistance agreement has been entered into with 'Goa Carbon' for providing technical knowhow to it for putting up a plant for manufacture of calcined petroleum coke at Goa. As per agreement, that company has allotted 74,925 equity shares of Rs 10 each to India Carbon.

"critcomments"

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Calcutta Diary

A M

IT is, the doctors would say, perversity of the worst sort, but nothing can be done; there it is: a vast groundswell of vicarious pleasure now that the Congress has got such a drubbing in Maharashtra. The emaciated middle class in West Bengal, a pang of nostalgia in its heart, also scans the news about the turmoil in Gujarat, much in the mood of a down-and-out middle-aged school teacher as he reads in the papers dizzy stories about the successes of a former student of his. It is an odd combination of emotions: a mute confession of one's own impotence; a touch of regret and envy that the discomfiture is being inflicted on the ruling party a thousand miles away, and not here; at the same time though, there is also an outlet of the pent-up venom: at long last, somebody has shown the guts to teach those rascals up there a proper lesson.

This, no doubt, is gross irrationality, and borders on frenzy. A certain clammy, clayey quality attaches to it; as you listen to the conversation pieces, in tram cars, buses and suburban trains, given to gloating over the near-anarchy in Gujarat, claustrophobia threatens to grip you. Every week, more and more things disappear from the market and the ration shops, prices soar still some more, power and gas are cut off for even longer hours, transport is in a greater chaos, administration at all levels sinks to a deeper morass. But the people seemingly take everything in their stride: not a squeak of protest disturbs the air. The leftists — a near-invisible shadow of their former self — now and then emerge from their shell, organise a demure demonstration, or maybe a protest meeting: their supporters and sympathisers drift in, listen, disperse; nothing else happens, one further layer of vacuity merely settles on the ones already there. And yet, the discontent over the lack of the bare necessities of life is no less here than in the western parts of the country; going by 'objective' factors, it should, on the contrary, be more, considering that income levels are much lower here. The fire however has gone out; even the embers have stopped flying. If some railing has to be done against the authorities, some staging of violence, some explosion of fury, let all that take place in another part of the country; at our end, the passion is not dead, but somehow it has mislaid the formula of combustibility.

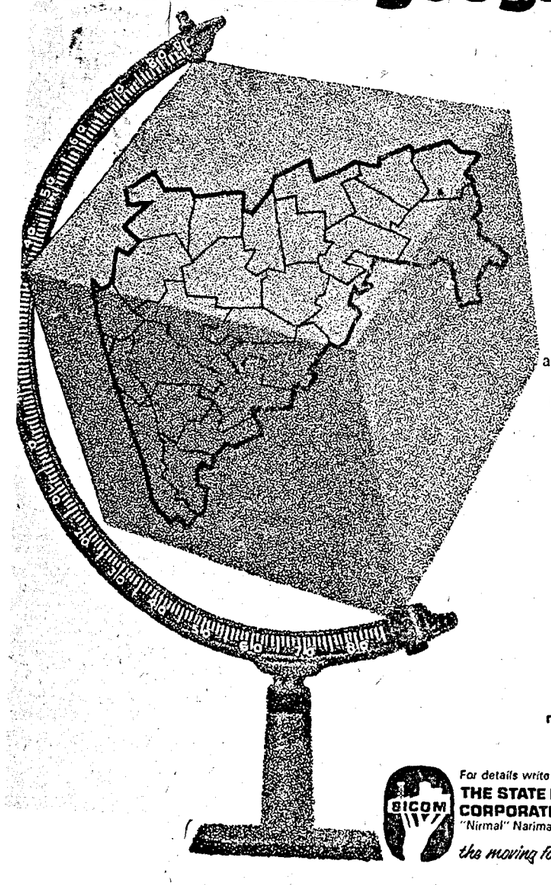
Depending upon one's point of view, such a denouement could be a good thing. Violence has been, outwardly at least, taken out of the system: as the President of the nation has not failed to tell the citizens on Republic Day, never mind the nightmarish days you are passing through, violence only leads to chaos. But cannot there be a chaos even from the lack of violence? Those who were subscribing to the theory that, for economic prosperity to start gushing forth in the state, what is needed is only to take the Bengalis off the course of killing and knifing and bomb-throwing, have been proved wrong. Since the beginning of 1972, the frequency of violent activities has markedly gone down; such activities are certainly not that overt any more. What has emerged instead is, however, equally terrifying: a deathly pallor, an enervating sickness. If there is no large-scale violence, there is no large-scale creative activity either. A listlessness, out of which nothing conceivably could ever be born, has assumed charge. Take a day out in Calcutta, visit its shops and institutions, its offices and parlours, eavesdrop on its gossip, it would not take long to realise the frightening nature of the calamity which has come about. It is a calamity which does not exclude anyone from its jurisdiction; it shatters the nerves, and extracts the last iota of optimism from even the most lion-hearted. In government and outside, it is the rule of inertia, and just that, which is supposed to provide the staple for survival.

Even as Maharashtra's women take up the angry cudgels and Gujarat is set aflame, West Bengal watches from the sidelines. Things are looking up, you might still say, the epicentre of trouble-making, thank heaven, has moved away from the volatile Bengalis. This is a dubious consolation. The Bengalis are staying away from the spree of violence; they hardly however disapprove of it either. The vicarious pleasure is there and its appeal is pervasive, so pervasive that even those retaining a marginal faith in the formalism described as the parliamentary democratic system would feel like throwing in the sponge. Violence may be dormant, but this denouement is hardly accompanied by any rousing accession of faith. Talk to any lay person, you would be taken aback at the depth of cynicism to which he has sunk. He is prepared to believe the worst about the system. He will take it as datum — or even axiomatic — that all ministers are corrupt, that everyone from the highest one down is busy building a private fortune while the going is good. You will fail to nudge his conviction that if prices go up, it is entirely because the ruling politicians and their functionaries are on the payroll of industrialists and traders. Each single statement of the Government is up for derision; the obverse of what is being claimed by the authorities is, by an instant cerebral reaction, assumed to be the true state of affairs.

Visiting dignitaries, out of politeness, and sometimes for their own private purpose, may praise the quality of the polity sky-high: an ageing Tito has his uses. In the ultimate run, such contrived testimonials are piffles: they do not even lead to any fresh accretion of foreign exchange. The Indian polity is going to be what the Indian people judge it to be. Faith, the school text-books say, can move mountains. What has overtaken the country is a total loss of faith. And one must be candid about it: this is the legacy of the past few years. A nation cannot be run on the credo of public relations men, which is to pack some lies together and present the package as the genuinest thing. Give or take a few years, the truth will be out, and, along with it, the anger of those who are at the receiving end of the confidence trick

From one point of view, what is happening in Gujarat is to be welcomed. A catharsis is at work, and the accumulated hatred is letting itself out: there is a branch of materiamedica which goes flat out in support of such ministrations. The prospects could be much worse for West Bengal, where, for the present, the hatred only simmers inside. With some twenty-five thousand and odd young men and women locked away, and the blanketing of town and country by the forces of law and order, there is little possibility here of a holocaust of the kind which has overwhelmed Gujarat. One cannot honestly decide which way one's preference ought to lie. For the *ennui* currently gripping West Bengal could lead to a total corrosion of not just all external initiatives but also of the moral fibre. Once that happens, it would be a field day for marauding demagogues. Fascism of

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course could lurk in the corner. But, much worse, where by brute force you prevent the masses from taking recourse to collective political action in protest against the many ills of administration, you are in fact invoking anarchy. In case not the slightest heed is paid to the people's anger over the price rise, the corruption and the growing income inequalities, this anger would in any case be out, and no quantity of repression would then succeed in putting it down. Since, however, the option of collective modalities has meanwhile been deliberately throttled, the arena would be taken over by disorganised chaos. The President of the Republic will not like that, but, by then, he and his Rashtrapati Bhavan would become an irrelevance. Admittedly, an unsavoury thought, but, pray, which aspect of Indian life is at the moment brimful of aesthetic virtues?

CAPITAL VIEW

Uttar Pradesh Casts Its Shadow

Romesh Thapar

UTTAR Pradesh seems to be in everyone's consciousness. With essentials disappearing from the markets all over the country, the popular belief is that Uttar Pradesh is wallowing in a glut which will last until the elections are held on February 17. In Uttar Pradesh, no such glut of goodies is developing; indeed, it's assumed that Jan Sangh traders will release their stocks after the elections. Quite a merry situation, I must say. In the politicking, the fact that everyone has forgotten is that traders of various political hues are putting up the vast sums of money for the elections, and naturally they have to reimburse themselves. Shortages? Well, for a while. Long live democracy!

Yes, Gujarat is terribly upsetting. It looks as if strongman Patel cannot hold the situation. The betting is that soon we will see President's rule in this part of the country — but only after the army has brought order and the Uttar Pradesh contest is over. Nothing is to disturb Uttar Pradesh. Uttar Pradesh, believe it or not, provides balance and stability to our federal polity. ar Pradesh is decisive to the policies of India. This is more than a bad joke, but we have to live with it.

Well, what is happening in Uttar Pradesh? We are hearing of all manner of defections from the ruling Congress, defection which include colleagues of none other than Tripathiji himself. They could not be accommodated in Bahuguna's list of prospective candidates, so they are now back seeking their fortunes in the old Congress. What this means to the caste-ridden voting of Uttar Pradesh, no one tells us. It is assumed that the Centre has the skill to deal with such mundane threats.

But all is not so tickety-boo in Uttar Pradesh. Independent reports speak of a ground-swell against the ruling Congress in the towns. The Jan Sangh is licking its chops, so to say. It expects a major sweep in the urban areas. The Muslim vote, if it can be so described, is also scattered and largely lost. Put these two whispered facts together with Charan Singh's capacity to gather votes in western Uttar Pradesh, and you have the makings of a problem which might cause not just tiny political ripples.

Apparently, so much money is in use that the electorate has come to see these exercises in democracy as a kind of popular sweepstake. Attitudes are bemused. "Operation Grab" is on. The relationship between taking money and voting for the chap who has given it is tenuous to say the least. Some sample surveys suggest that both hands are being used, and in different directions. So startling is this monetary corruption of the election procedure in the heartlands of Bihar, Uttar Pradesh, Orissa, Madhya Pradesh and Rajasthan that political scientists are abandoning their field studies of voting behaviour. They require new "paradigms"!

I've been trying to get a reliable figure of the election fund in operation in Uttar Pradesh. No such assessment is possible, but the figures range from three crores to thirteen to thirty. We certainly do everything with a certain amount of style, don't we? However, the donors who are in this game point out that they must get the facilities to make three times as much to prepare for the next operation. Gujarat? Andhra Pradesh? Not Orissa. That's been written off already. Biju Patnaik is obviously too tough a character to challenge with money.

The chiefs of our rattled Planning Commission are wondering how long this game of black money is to last. The speculators thrown up by our political style are on the rampage and can kill their patrons, just by playing the market, doing for ever what they have been permitted (it appears!) to do until Uttar Pradesh "is settled". In other words, for those who want plain statements, hot money is going to set the Plan and the Commission on fire.

If there is any lesson to be learned from events in Uttar Pradesh at this moment of writing — that is, before the unlovely politicians of the state discover whether they are in or out — it is that we must resolve to reform immediately the funding of elections. The play of black money has to be cut before our economy is destroyed by it. If this lesson goes home, the cost would be immaterial.

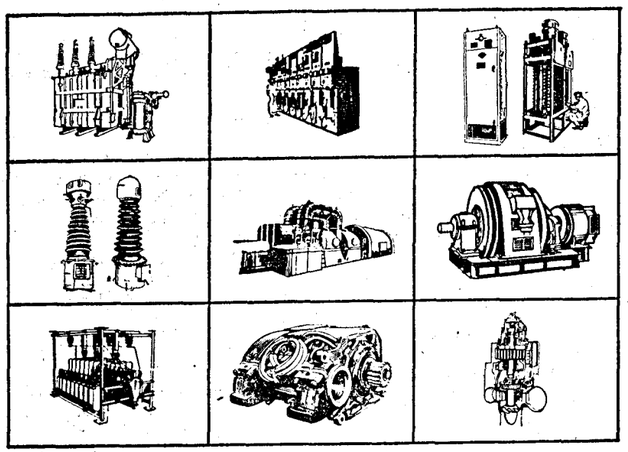
But what will make it "go home"? A setback for the ruling Congress. Yes, that is what so many reasonable men and women are saying. Sad, isn't it. And only two years after the massive mandate for the ruling Congress in the 1972 poll. Maybe, this is exactly what the present national stir is about. A rejection of the sort of democracy we are indulging in.

It's important for us to get our teeth into the problem, Uttar Pradesh or no Uttar Pradesh. The newspapers, short of paper, are fighting shy of printing the material they are receiving. The "scandals" spread by word of mouth. This makes the follow-up even more impossible. A challenge for the political scientist? But what makes us conclude that they are over-eager to burn their paws? Revolutionary chatter about tearing down the system? The responses to the challenge could be simple, and, what's more, effective.

I suppose we will carry on as we are, happy to be strangulated in easy stages. And, then, there is always the possibility that Uttar Pradesh may spring a surprise on the ruling Congress. A decisive majority, the 275 seats that are being "claimed" already. We will then be able to keep jogging at a fixed point after all, with or without the Planning Commission. If that happens, there should be a supplementary list of Republic Day awards ...

Uttar Pradesh certainly casts its shadow — a terrible shadow.

January 28



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NEW DELHI

Victory for Rich Farmers and Traders

B M

UTTER helplessness, bordering on fatalism, pervades the government in New Delhi. The failure to respond to the critical situation created by the food riots in Gujarat for nearly three weeks, resulting ultimately in the army having to be called out in Ahmedabad, reflects the state of the government accurately. There has not been even talk of trying to relieve the situation by rushing more food to Gujarat, as was done at the time of the food riots in Maharashtra last year. It is frightening to contemplate what might happen in the next three or four months before the rabi crop. The situation in many other parts of the country — among them Bihar and Maharashtra — is not very much better than it is in Gujarat.

The Food and Agriculture Ministry maintains that the kharif crop has been good, particularly the production of paddy. The Ministry estimates that rice production has touched 45 mn tonnes in this kharif season itself as against the expected production of that order during the whole of the agricultural year 1973-74, including the summer rice crop. The total kharif crop is estimated at not less than 67 mn tonnes. Thus the food is there, according to the Ministry.

On this basis, the Ministry maintains that it is not necessary to continue the public distribution system on the same scale as in a drought year when there is a physical shortage of foodgrains. Thus, 10.7 mn tonnes of foodgrains were distributed through the public distribution system in 1972 and 11.6 mn tonnes in 1973 which was the worst year from the point of view of availability of foodgrains. Now, with the bumper kharif harvest, the Ministry has been contending that the public distribution system does not have to undertake a responsibility of this order. In fact, it has already decided to make a sizeable cut in the public distribution of foodgrains and, since November 1973, the monthly reltases have been brought down to 7 lakh tonnes. The Ministry seems to think that releases can be further reduced. Also, open market prices being very high, the Ministry believes that a good part of what is issued through the system does not go to the consumer but leaks out to hoarders and black marketeers. In these circumstances, according to the Ministry, issue of larger quantities will not benefit the consumer; hoarders and black marketeers will take advantage of the subsidised supplies.

It is by this logic that the Ministry has come to the conclusion that the real solution to the problem is not to strengthen and expand the public distribution system, but to remove controls on the free movement of foodgrains. Hence the decision to abolish restrictions on inter-district movement of foodgrains within states. In addition, states have been permitted to enter into arrangements among themselves for supply of foodgrains by surplus to deficit states. Free movement of foodgrains, according to the Ministry, will help to stabilise prices in the open market much more effectively than the distribution of larger quantities through the public distribution system. For the same reason, the Ministry does not think that more import of foodgrains would be needed.

Given this approach, the Ministry does not have to worry too much about the procurement position. The shortfall in procurement compared to the target does not, therefore, cause it much concern. This stance is fortified by the expected arrival of an average of 3 lakh tonnes of foodgrains from abroad every month till May — from imports already contracted for and from the wheat loan from the Soviet Union. The Ministry is thus satisfied with the 2.4 mn tonnes of rice procured so far, of which one-half is for the Central pool. Only 3 lakh tonnes of coarse grains have been procured out of a target of 16 lakh tonnes, but it is felt that some more will be procured in the next four months. Thus, even if the procurement target is not fulfilled, enough will be procured for nearly 4 lakh tonnes to become available every month for the public distribution system from this source. The distribution system can thus be kept going on a restricted scale, in accordance with the Ministry's plans. Later, the rabi crop will arrive in the market. The expectation is that it will be a good crop and that total foodgrains production during the year will come up to 114 mn tonnes.

With a good rabi crop, as the Food and Agriculture Ministry sees things, the public distribution system will become even less necessary. The question of procurement will cease to be a pressing one, and whatever procurement has to be undertaken can be taken care of by offering a good price for wheat in the next rabi marketing season. The Ministry currently seems to favour a price of Rs 95 per quintal. The most important thing, according to the Ministry, is thus to negotiate smoothly the transition to a position in which the open market can function freely. Procurement from then on will be for building up buffer stocks, when the crop is good, and not for running a public distribution system on any significant scale. It follows that, according to the Ministry, no purpose will be served by persisting with the take-over of wholesale trade in wheat.

In all this, the problem of high prices of foodgrains in the open market, which is the crux of the matter, is simply brushed aside. It is ignored that the distribution of foodgrains out of government stocks through the fair price shops was supposed to be a device to make available at least a part of the requirement of foodgrains of at least a section of the population at prices lower than those prevailing in the market. In fact, the Fifth Plan had made a song and dance about the extension of public distribution to other essential consumption goods. According to this approach, the need for supplies through the public distribution system become greater as prices rise in the open market — as has happened in the case of foodgrains.

It is no secret that the objective of the large farmers and traders, who have been witholding foodgrains from the market on a large scale, has been to defeat the government's efforts to procure foodgrains and supply them through the public distribution system. In this, they appear to have succeeded. The Food and Agriculture Ministry's arguments, described above, in support of reducing supplies through the public distribution network are an *ex post* rationalisation of a situation created

by the collapse of procurement, despite supposedly excellent crops. It is this collapse which has left the government with no option but to drastically cut the supplies through the public distribution system. With the virtual dismantling of the public distribution system thus ensured, the large farmers and traders can now bid up foodgrains prices with even greater freedom.

The further rise in food prices will have its inevitable impact on the general price level. This will naturally result in increasing the burden on the wage and salary earners. Industrial relations, ailready strained, should therefore be expected to worsen in the coming months. But the government evidently feels that it is easier to get tough with industrial labour and white-collar workers than to persuade the rich farmers and traders to part with their stocks.

MAHARASHTRA

Contractors' Opera

Amrita Rangaswamy

THE season of unrest is beginning in Maharashtra's sugar industry. Along the sugarcane belt, the cry for higher wages for harvesters and cartmen is heard. The labour unions, a little tired of the dogged fight through the courts, are brooding on a strike. A token strike is being planned for February 5. The Government of Maharashtra, which dawdled on the issue through the famine years, is beginning to feel that further delay would be unseemly. The Committee on revising rates for harvesters and cartmen, set up under the chairmanship of Shankarrao Patil, Minister of State for Labour, has come to life and promises its recommendations shortly. In Kopergaon last fortnight, the lords of the industry met in a quiet conclave — "to raise the wages," stated Shankarrao Ganesh Kole, president of the Federation of Maharashtra Sugar Factories. But he was not prepared to indicate the measure of the sacrifice they were ready to make.

Around the factories where the cartmen gather, the tension is beginnnig to communicate itself. The alarums of battle that are being sounded are customary — save for one comic touch. Standing at the vanguard of the agitators and cheering them on are the lackeys of the hacienda, the contractors of human labour. In the yard outside the giant Rahuri Sugar factory in Nagar district there were contractors from every district. "There has been no increment since 1968," exclaimed Eknath Nana Misal, contractor from Ashti taluka in Bhir district, sounding for all the world, like a labour leader. Small-made, fair, there was a flash of gold from ear and finger as he spoke. "Bajra prices were Rs 75 a quintal; now they are Rs 150," argues Valmik Konkar Sonone from Chalisgaon in Jalgaon district. Sonone is dark, plump, smooth of countenance, with a cavalier moustache and eyes as sharp as a peacock's. Misal is master of 14 carts but his men harvest and deliver the cane directly to the factory. Sonone has seven carts, but his harvesters load the cane at truck centres; so he needs more harvesting hands than Misal. A truck can take an eight-tonne load but a cart carries only one tonne. Besides Sonone sits Eknath Vishnu Kapse, also from Chalisgaon. In these parts of Maharashtra, where agriculture is a wretched business, to be a contractor, 'mukaddam', is coveted status. The high turbans these men wear (layer upon layer of cloth dyed a gorgeous sunset pink) seem symbols of that status. These are old and well-established contractors of Rahuri. The factory has a daily crushing capacity of 2,600 tonnes, which means a harvesting and transport labour roughtly (at the rate three hands per tonne) of 7,800 workers to keep the plant working.

"We must have double", their voices rise, high, militant, but the faces look pleased, flushed, like a bunch dowagers presiding over the ball of the season. "We must have double" said Tukaram Bhau Tanpure from Pathardi taluka. He was walking at the head of a caravan laden high with cane moving slowly towards the Sanjeevani factory in Kopergaon. He seemed to belong to the younger generation but he was also identifiable. His shirt was a bright white and the gold-capped pen and diary he wore in his pocket were conspicuous. Tanpure together with a partner was managing 35 carts.

These have never done a hard day's labour in their lives. They are middlemen and in Maharashtra's sugar industry they are indispensable. This industry has a peculiar characteristic; in order to be eligible for hire, its workmen have to offer their own capital. This implies, naturally, that they borrow the capital from the factory. The contractor is the vital intermediary in this transaction. At the start of the season, the worker has to invest in a pair of bullocks. The bullocks might cost roughly around Rs 900. These together with his cart he places at the disposal of the factory for the next six months. He and his family, a husband, a wife and a grown-up brother or son, form the harvesting and transporting unit — "the koytha".

Do they have to take a loan every year? "Let us say, I take Rs 1,500 from the mukaddam," a cartmen at the Malegaon factory in Poona district explained, "and I buy my 'own' cart and bullocks. Suppose I pay back the loan during the season, the bullocks and cart are mine." "This year I took Rs 2,000," another cartmen spoke up. Most of the good cattle had died or had been sold to the butcher during the famine. Truck rates had gone up and bullocks were now reported to be selling at Rs 2,000 a pair. "If the season is good, no doubt, I will make some money. But if there is a balance, the contractor will say 'sell the cart and bullocks and pay me back'." If the wages covered only maintenance, the loan would remain as outstanding. "I lost my bullocks in the famine year," the cartman at the Sanjeevani factory said. "This had happened in Niphad taluka, in Nasik. I owed the mukaddam Rs 450 and the bullocks were sold at Rs 525," he grieved. Occasionally the loan can be a transaction on paper. "What did you do with the thousand rupee loan?" I asked a cartman at Malegaon. "I gave it back to the mukaddam, he gave me the bullocks," he said. There was a ripple of laughter from the men around him.

There was an alternative to selling the cattle. They could pay the interest during the factory's oft season. Interest rates, according to the Baramati cartmen, were 10 per cent per month. "If I don't want to sell the bullocks I have to pay 10 per cent," the Baramati cartmen stated. Contractors disagreed violently. "It is only 4 or 5 per cent", Misal cajoled. Most contractors agreed that it was around 5 or 6 per cent. Tanpure from Pathardi, younger and more wily, flatly denied that he charged any interest. "There is an outstanding of Rs 18,000 from my workers," he said. But one of his men had told me earlier that only last year he had had to sell his land to pay back Tanpure. "I owed him Rs 1,250, and I had to sell one acre out of the five acres I own". How much had he borrowed? "I really don't know what the capital was, and what the interest" he said.

If the outstanding was low at the end of the season, the workers preferred to pay interest. So with every new season, the loan tended to grow. "I owed Rs 150 at the end of the last seeason," said Umaji Lakshman of Georai taluka. "This year I borrowed Rs 700. Together with the unpaid portion of interest I now owe Rs 950." The interest was a kind of "retention allowance" that the contractors earned when the plant was idle.

It also helped to cement the bonds of service with the workers. "We are begging them to take us to the factory," farmers of Patoda taluka in Bhir district told me earlier this season, "but they are only taking those who owe them money."

Did they know how much the factory paid them as wages? No one seemed to know. They recited the cartage rates, mechanically. What did they get as advance? "That's Rs 300 per cart they all acknowledged. This amount varied in parts of Kopergaon, but it was never stated to be more than Rs 300. Contractors at Rahuri declared that they were paid only Rs 300 per cart. "I got Rs 4,500 from the factory" said Eknath Misal, "but I have paid Rs 14,000 as advance". "I was given only Rs 1,750 by the factory," stated Dada Mahajan, "but I have paid the workers Rs 4,080." At least one factory denied this flatly. "There is no fixed rate for advances to contractors" said B B Bhonsle, managing director, Someshwar Sugar Factory. "Advances can range from Rs 300 per cart to Rs 1,000, depending on the contractor." The advance was given interest-free. All factories deducted the advance in equal instalments from the wages of the cartmen. Apparently, this could only be done by paying the wages directly to the mukaddam.

Why could not they recover the advance from the contractor's commission? "The commission is too small an amount," Shankar Rao Kole explained. If a cart earned Rs 250 a month the commission was hardly Rs 25. So the commission was small incentive for organising supply of cane to the factory. The real earnings of the contractors came from the interest.

Did the workers get any wages? "Ek paisa naahin dilath," the women at the settlement outside the Sanjeevani factory complained. Except for a little money on the weekly bazar day for vegetables and spices, ranging from Rs 2 per 'koyta' to Rs 10. What did the men do if they wanted to buy bidis or have a drink? "Sometimes we steal the sugarcane tops", they laughed.

But no one went hungry, they assured. The contractors arranged credit with the grain dealer — and they had enough to eat. The quota was roughly 2 payalis (30 kgs) for a fortnight. So the factory, after deducting the instalment towards the advance, pays the wages to the mukaddam. He pays the merchant and retains the rest towards payment of his own loan. "Supposing a koyta earns Rs 125 during the fortnight, I keep Rs 100," stated one of the contractors.

Harvesting and transport rates are Rs 4.20 per tonne for harvesting and Rs 3.20 per tonne for the first mile with 75 paise for every additional mile. The Bombay Industrial Court worked out that a cart on an average transports cane over a distance of 8½ miles. This would work out to an average wage of approximately Rs 14 per day per cart. This means Misal with 14 cart makes Rs 196 per day. He spends approximately Rs 2.80 on 2 kilos of grain per day per koyta. He might spend another rupee or two on payments to the blacksmith or the carpenter. The remainder is adjusted towards the loan of capital. Only one contractor at Malegaon (among those I met) claimed that he paid cash wages to the cartmen. He showed the accounts he was maintaining. "I take my share after the factory takes its," he said. "Supposing they earn Rs 200 — I take Rs 50. It is all according to a scale," he said. The leading grain merchant at Kopergaon, Shantilal Rupchand Golecha, was reluctant to show his accounts. He sold 'kulthi', a cheap grain, as feed for both cattle and men. Kulthi was selling at Rs 80 per bag of 60 kilos. Groundnut cake was now selling at Rs 1,400 per tonne and was beyond most cartmen's reach. He acknowledged that he gave the grain on credit. He claimed that he charged no interest. And there was always an outstanding at the end of the year. "... about 25 per cent remains unpaid," he stated. "The merchants take interest," a contractor said. "I pay Rs 3 per hundred."

In the sugar industry in Maharashtra the 'contractor' thus has the following functions:

For the factory:

(1) He stands guarantee for the loan given to cartmen.
(2) He organises labour; supervises field operations, assures continuity of supply of cane to keep the plant working.
(3) He assures continuity of supply of labour every year without retention liability.

To labour, the contractor offers the following services:

(1) He stands guarantee for the loan given by the factory.
(2) He stands guarantee for credit extended by the grain dealer.
(3) He assures them continuity of service with the factory.

There are two conditions for the efficient functioning of this system. The first is that the workers must be *migrants* to the factory area. Ahmednagar district (and Poona and Sholapur) is in the heart of the sugarcane belt. It is also in the rain-shadow area. During the scarcity years Nagar and Sholapur had over 5 lakhs of people on relief works. Yet Nagar district labour will seek employment in the sugar factories in Kolhapur and elsewhere. And cartmen from Kolhapur stray as far afield as Athani taluka in Belgaum district. It is quite true that the bulk of the migrants come from the dry farmlands of Bhir, Jalgaon and Aurangabad. But there is considerable inter-district migration during the crushing season. The farmer by leaving his village becomes dependent on the contractor even for the services of the blacksmith, the carpenter and the harness-maker. "Who will give us advance in our own village?" asked an old woman in the harvesters' camp outside Sanjeevani. The advance is the 'bait', offered to the farmer to leave his village.

The second condition is that the worker should be credit-worthy. In Maharashtra there are bands of nomadic tribes such as the Lamande and the Vanjara who wander from one district to another, seeking work. These are also employed as harvesting labour, but they form a small percentage. The 'worker' must have security, preferably land, in his own village before the contractor will offer him credit. The Maratha, the small farmer, with a few acres of dry land forms the majority of the harvesting and carting labour in the factories. He alone could be expected to respect the conventions of debt servitude.

A small group remains outside the system. Not far from the Someshwar factory, a small caravan of seven carts was hauling in cane. "We are from Wadagaon, a village nearby," they said. "We take no advance from the company and we are paid our wages directly," one of them said. They also claimed to be on the muster roll of the company. "We have been coming here for nearly nine years," they said. "We get Rs 4.50 for harvesting and Rs 3.20 for the transport and and we make Rs 2 every day by selling the top leaves of the sugarcane." Uttam Jagannath Bhagat and Kisan Rao Saheb

Jadhav, from Koralibhudru village in Baramati taluka also said that they had no 'mukaddam'. "We make about Rs 200 a fortnight." They declared that there were not many of them. "The number of carts coming from outside Nagar is very high", they said.

Then there are the cartmen who are also 'mukaddams'. Pandu Yeshwant Jadhav of Amalner from Bhir was one of them. "Last year, bullocks were cheap; so I had eleven carts. This year I have bought only five," he said. He was clearly not adept at this game. Last year he had advanced money for 13 carts but only 11 had turned up. He claimed to have lost Rs 2,600 on the deal. "There are some gangs like these," G R Lagad, General Secretary of the Baramati Taluka Rashtriya Sakhar Kamgar Sangh, stated. "But there is always a sarpanch or a grain dealer who is their real 'mukaddam'," he said. Paradoxically, the unrest that is beginning has not challenged the system but has strengthened it. At least one factory management is seeking to legalise the 'system' by describing the contractors as "relatives and family members of the cane growers, who have their own workers". The labour unions, perhaps in a bid to strengthen their case for privileges as workers, have defined the 'contractor' as "invariably himself a workman, who drives a cart along with the other cartmen and whose family members work as harvesters". The contractors of Pathardi and Bhir and Chalisgaon are naturally jubiliant. The prospect of arrears of wages from the years from 1968 is now being held out to them.

There is only one discordant note. The Malegaon award (April 18, 1972) made by the Maharashtra Industrial Court does not seem to fully accept the definition of the contractor. R D Tulpute, Member of the Industrial Court, has in the judgment referred to the definition. "According to the Sabha [the Baramati Taluka Sakhar Kamgar Sabha], the practice of the karkhana is to pick up a workman and describe him as a contractor and enter into a contract with him while the work is being done by the entire gang. The contractor himself is also a cartman and harvester." Yet while awarding a higher wage rate for the year 1965-66 and directing that arrears be paid from that year, Tulpule has observed: "The amount on account of the increase in rates is directed to be paid to the actual workmen and not to the so-called contractors." But it will be difficult to change the method of payment of wages unless the factory is made to accept responsibility for the capital expenditure incurred by the workmen and for the cost of maintenance of equipment. Tragically enough, the labour unions have failed to collect data on the system of advances. It is not as though Tulpule has not given the lead. "As I pointed out, a large number of factors which would be relevant have not been either considered earlier, or evidence in that behalf adduced before me in this case. For instance, the expenses on account of shoeing of bullocks, repairs to harness, grease, petty repairs to bullock carts and major repairs, the capital cost both for bullocks as well as for bullock carts and the loss which might result on account of working reducing the efficiency and serviceability of these animals." Tulpule has stated that he has adopted the first wage board recommendations of Rs 115 as the minimum earning of the unskilled factory employee and fixed the earning of a koyta of 3 persons at Rs 345 per month. This, he has made it clear, has been fixed, by "ignoring the various other factors, namely, [that these workmen] have unspecified hours of work. They also have to meet sundry expenses on equipment, including the feeding of the animals."

How would it be equitable to award the minimum wage of the factory employee to workers who have to buy groundnut cake for their cattle at Rs 1,400 per tonne? Why should they have to borrow money on interest for this purpose? Tulpule has censured the Malegaon and Someshwar sugar factories on moral grounds: "It may be seen ... that the Malegaon Sahakar Karkhana in the year 1967-68 had paid a very high rate to its grower members, namely, Rs 123.00 and Rs 112.50 for ex-field sugarcane when it was Rs 83.50 and Rs 84.40 for gate cane fixed by the government. ... It will thus be seen that the co-operative societies are for mutual benefit of its members. There can be no objection to this but if the mutual benefit is reaped at the cost of justice and humanity to a section of workmen who bring in that benefit to them, then I do not think that that can be permitted."

But the price of cane represents accurately the measure of political support that the system enjoys. It is a virtual guarantee of the continuation of the system, and the chairmen of the sugar factories, shrewd politicians, are quick to grasp this. "The fundamental issue," stated Shankar Rao Motite Patil of the sugar factories of Akluj taluka of Sholapur, "is whether the income of the growers should at all be brought in on any discussion of wages of factory labour." There were nods of assent from the assembled chairmen and managing directors around him, gathered for the meeting at Kopergaon. "Eighty per cent of cane growers are small holders and if the demands of labour are accepted then the farmer is prepared to do the harvesting and the transport and let the migrants do the farming," he declared. "What labour is demanding, is it the real demand of the cartmen?" they asked. Why didn't they deal directly with the workmen and not through the contractors, I wondered. "Because then they will become our labour," Kole said flatly. It seemed as though the tiring fight through the labour courts had never been. Dismissing the writ petition of the Kolhapur Sugar Mills the Bombay High Court had observed that "the admitted facts in the case leave no room for doubt whatsoever that the work in question was work which was ordinarily part of the undertaking of the petitioner company, the contractors and their team of workers are employees of the petitioner; that the petitioner company was their employer.

The Supreme Court had also held (in the dispute between the Godavari Sugar Mills and the Kopergaon Taluka Sakhar Kamgar Sabha, Sakharwadi) that the employees of the contractor were to be deemed direct employees of the main employer and that all conditions and terms of employment to the direct employees could be made applicable to the employees of the contractor.

The chairmen of the factories, many of them legislators themselves, are confident of support both from the legislature and from the government. There is one other reason for their ignoring the courts' strictures with impunity. The Courts, slow and ponderous, have only recently settled the issues for 1965-66. Since then the pace of growth of the industry has been startling. It might take a while for the Courts to catch up with the industry.

The 12 carts moving abreast, darkened the horizon as they descended the ridge near the Sanjeevani factory. In the harvesters' settlement outside the factory the women were watching the carts draw nearer. Their little huts (cane leaves propped up against each other and tied at the top in an absurd ponytail knot to form a tent) were just large enough to let a child and its dog crawl in. "What do you get when you go back to your village?" I asked. "We get baksheesh." they said gratefully — "every family gets a hundred rupees".

GUJARAT

Beyond the Ken of Organised Politics

(From a Special Correspondent)

IT is not a law and order problem which faces Gujarat. What started with the incidents in three talukas of Surat district — Bardoli, Kamrej and Palsana — on January 3 has engulfed literally the whole of the state, from Surat in the south to Palanpur in the north and all districts of central and western Gujarat including Saurashtra. If imposition of curfew is an indication of the seriousness of a situation, at one time most of the urban places, as defined by the Census, in 15 out of the 18 districts of the state, were under curfew on a single day. In addition, there were orders prohibiting the assembly of four or more persons in other places. More than 75 per cent of the total urban population of Gujarat has been at one time or the other under either a 'bandh' or a curfew in the last three weeks or so.

Clearly, this is not a situation that can be treated as a law and order problem. Nor is it simply a question of dissatisfaction with the performance of the government. Were the government headed by another Chief Minister, or were there a Congress(O) or Jan Sangh government, or were there even Governor's rule, the food situation would not have been very different or the price spiral less pronounced. Probably under Governor's rule the army would have been called in much earlier. This is not to minimise the responsibility of the state government for the way it has handled the situation. The point is that the root causes of the recent developments go deeper than the errors of omission and commission of the present government, or the sympathies and antipathies evoked by individual members of it.

The political and economic ramifications of the recent developments in Gujarat are so wide-ranging that no cut and dried report covering all these aspects is possible. Only some notes on a few of the salient points are attempted here.

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The developments of the last few weeks have served to expose some misconceptions about Gujarat. One of these is the belief that the people of Gujarat are relatively well fed, well housed, and well clothed. This is a myth, notwithstanding the statistics of per capita income, industrialisation, urbanisation, investment, etc. The riots are an expression of the long-standing and widespread economic distress and the worsening disparities in the living standards and styles in the urban and rural areas. Yet there has not been any marked sharpening of class conflict. The organised political activity required for that has been completely lacking.

The second myth that stands exploded is that the people of Gujarat are 'wise'. Whenever political leaders, whether from Gujarat or from other states or from the Centre want to pacify the people of Gujarat, they employ the cliche that the people of Gujarat were 'wise'. This cliche was the product of the business culture of Gujarat, sustained by the business class and its political, economic and social allies and agents. It will not work any longer.

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Rioting has taken place in practically all the corporation and near-corporation-size cities and in a very large number of towns with populations upto 10,000. Detailed reports on the spread of disturbances in the rural areas are not available, except in the three talukas of Surat district. These reports are an indication of what could happen in the rural areas and what the problems there are.

In the urban areas, the organised industrial working class is conspicuous by its absence from the disturbances. Casual and temporary workers and others like hand-cart pullers and pavement vendors have also not been active in them.

No political party or group and no individual leader has tried to give any direction to the disturbances. P G Mavlankar was invited by the students to lead them, but he stayed out.

Students have been active in the riots, upto a point and in a particular manner. But the most active non-student groups belong to the age-group 15 to 30. These groups are mainly from the intermediate and lower castes. They are employed in industries in which their occupational positions have the approval of their reference groups. They are mostly employed in small-scale industries and are not organised in unions or associations. They are supported by similar employable, but unemployed, groups, most of them literate, being educated upto matriculation.

These participants in the riots have militancy, but they do not have a strong sense of purpose and direction. They do not have the discipline of organised industrial workers or of white-collar bank or insurance clerks. They are also not subject to the discipline in their homes that, say, the clerks are subject to. They are probably experiencing the freedom of an urban area for the first time.

In terms of bringing about political or social transformation, this is an inconsequential category. It could be best designated as 'the urban crowd'. It is incapable of a sustained action, but can play this sort of sporadic role with some incitement. This group can be contained when strong-arm methods are used against it and when slowly the rest of the people begin to get fed up with the inconveniences to which they are put. Though all sections of the population have sympathy for what this group is protesting against, the industrial workers and a very large number of daily-wage earners are hit by the bandhs and the curfew. The white-collar workers and the upper crust would also like the situation to return to normal. Sometimes disturbances involving the urban crowd are prolonged by the professional underworld, with connections with politicians and the local authorities.

It is significant that no political party wants to guide or lead this group. In fact the two opposition parties worth the name in the state, Jan Sangh and Congress(O), have dissociated themselves from its actions. They only want to use the disturbances for their activities in the state legislature and for improving their prospects at the time of elections.

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Among the political parties, the Jan Sangh has been the most active. It has organised the largest number of bandhs in different parts of the state. It has a well-knit organisation and in organising efficiency it surpasses both Congress(O) and Congress(R).

The Congress(O) has been engaged more in issuing statements. It has given relatively few calls for bandhs and other such actions. It has concentrated on attacking the ruling Congress on policy issues, blaming it especially for what it calls its Leftism.

In its criticism of the ruling Congress the Jan Sangh is one with Congress(O). There is little to distinguish the policies of the one from those of the other — they both stand for the social *status quo* and the capture of power from the ruling Congress. Both the Congress(O) and Jan Sangh have better party organisations than the Cong-

ress(R), reflecting the strength of the interests which they represent and defend. These parties, i e, the interests they represent, are on the offensive. They have accused the ruling Congress of failure to protect the 'people', of being unable to provide food or to bring down prices, of having failed to solve the Narmada dispute in Gujarat's favour, of enacting land legislation likely to harm production and of governmentalising trade in general and wheat trade in particular. Their latest is that some Naxalites have come to Gujarat from outside. When it comes to Naxalities, even the newspapers unite against that imaginary danger.

In fact, there is no Left movement of any sort in Gujarat. The CPI and CP(M) exist, but they have no influence worth mentioning. The same is true of Socialists of all brands.

The Congress(R) in Gujarat is a replica of the party at the all-India level. It lacks ideological clarity, and its legislative and organisational wings are ridden with factions. It lives from day to day. It is not even practising pragmatism. It passes the land ceiling bill, but the bill is still to become an act. It passes the education bill, but the statute in its final form turns out to be different. It arrives at an agreement with the oil magnates and gets a promise that the price of groundnut oil would be reduced. The price goes up instead, but free trade in oil is allowed to continue. Again another understanding is arrived at, but the price still does not go down. Restrictions on wholesale trade in wheat are relaxed, but a levy is imposed on paddy. Farmers in only three talukas of Surat in the whole of Gujarat refused to comply with the levy. The government arrested the leaders of the farmers or khedus on January 2. The khedus countered with the threat that if the leaders were not released, Gujarat would be in flames.

The opposition to the levy on paddy was not an economic issue, but a political one. The levy did not even bruise the farmers who, organised under the banner of the newly-started Khedut Samaj, actually promised to give more paddy than required under the government order, provided the levy was abolished and it was made voluntary. Their demand was that the government should have arrived at a 'samjuti', or understanding, with them as it had done with the groundnut and oil magnates. The issue was, who had the power — the government or the khedus.

The government has now arrived at a 'samjuti' with the landowners, though nothing is known about its terms. It is as secret as the settlements reached under the kerchief in the market. The 'samjuti' technique, incidentally, seems to be playing an important role in the private and public life of Gujarat — reflecting perhaps the dominance of the culture of the market.

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The Khedut Samaj has no organisation in urban areas. The Jan Sangh and the Congress(O) did not come out openly in support of the anti-levy agitation. They made statements which would enable them to say that they were for the levy or against it according to convenience. The levy issue did not directly touch industries, industrial workers, clerks, students or the 'urban crowd'. The grain merchants were probably the only urban group affected.

Whatever might have triggered off the riots, the food shortage and high prices provided the fuel which was available all over the state. The distinctive feature of the riots was that grain shops and godowns were the targets of attack on an unprecedented scale. The state government depends on the Centre for food. The Central government has, however, been more quick to send the Central Reserve Police than foodgrains. But, while the police and the army may succeed in enforcing law and order, food alone will bring peace to the state.

SARKAR COMMISSION

Pre-Emption of Institutional Finance

Procedural Red Herrings

(From Our Industrial Correspondent)

IF the Hazari report on industrial licensing was responsible for identifying one crucial aspect of the large houses' investment behaviour — *viz*, the pre-emption of licences —, the current hearings of the Sarkar Commission might well succeed in highlighting an equally important and associated aspect of monopolistic behaviour — *viz*, the pre-emption of institutional finance. The possibility of pre-emption of finance was indicated in an earlier report in these columns ('Sarkar Commission: Public Money for Private Empires', January 12, pp 15-16). This hypothesis is further borne out by evidence provided during the resumed hearings of the Commission. The Commission is presently enquiring into certain concerns of the larger industrial houses, to which the Industrial Development Bank of India (IDBI) had granted financial assistance.

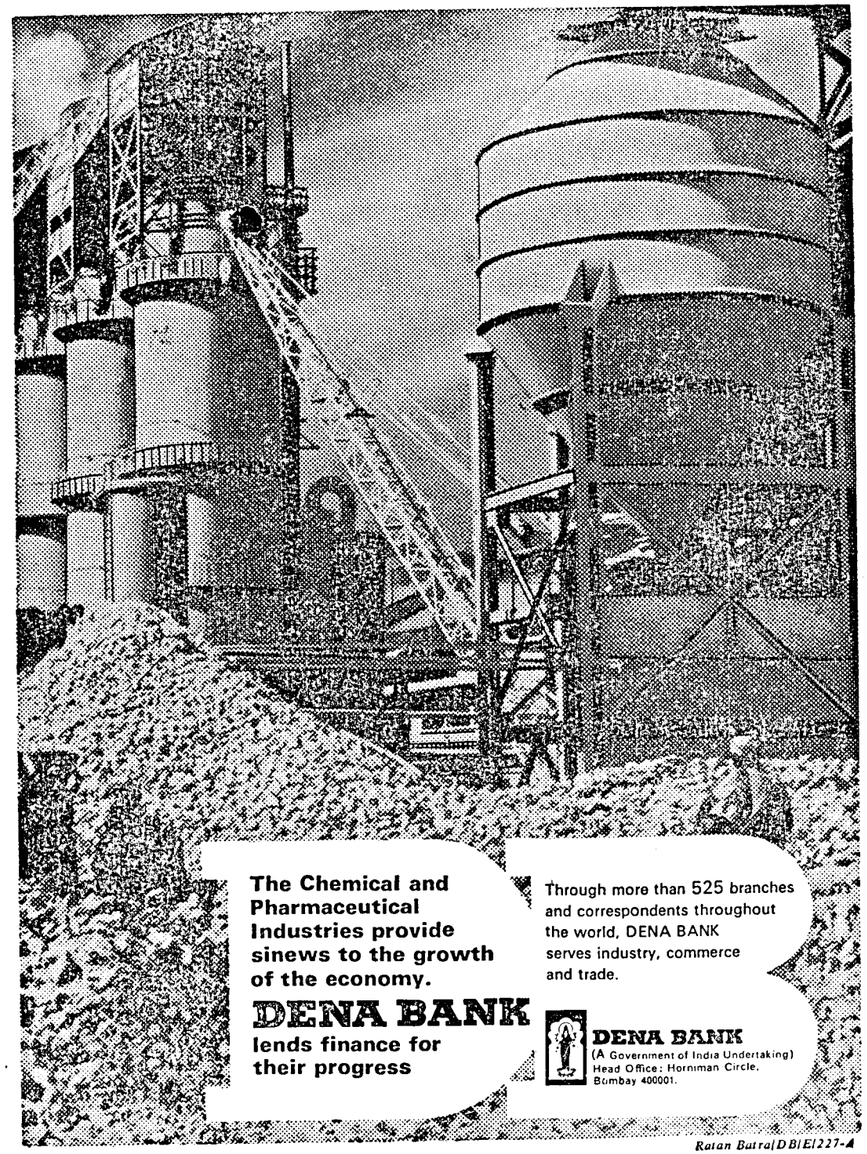
Pre-emption of licences amounts to reservation of areas of investment without commitment to actually making the investment. From the viewpoint of a large industrial house, pre-emption arises from an excess of its total reserved area of investment over its total ability to invest in a given time-period. The motivation for pre-emption is basically two-fold: first, to reduce potential competition and, secondly, to increase the flexibility of decision-making for the large houses in the face of different kinds of uncertainties inherent in the investment process. Pre-emption of institutional finance reinforces the above tendencies.

The reservation of institutional finance (at the time of its sanction, irrespective of whether it is disbursed) reduces the availability of such finance for other licences. It also increases the individual monopolist's capability to adjust and move, if required, from one investment plan to another. In sum, both forms of pre-emption contribute to the growth of the power of the large houses.

The argument on pre-emption of institutional finance was raised by the Commission's counsel as a sequel to the IDBI counsel's preliminary objection that the Commission was not competent to take up the cases of financial assistance to Birla concerns: Bihar Alloy Steel and High Quality Steel. The objection was that, since the assistance sanctioned to these two concerns was not eventually disbursed, and since the Commission by its terms of reference was required to enquire only into those concerns to whom assistance had been 'given', these cases fell outside the purview of the Commission. The IDBI counsel interpreted the word 'given' to mean 'disbursed'.

Replying to these arguments, counsel for the Commission submitted that the Dutt Committee had equated sanctioning of assistance with the granting of it. Since the Sarkar Commission was entrusted with follow-up action on the Dutt Committee, it should proceed along those lines. In this context, the Commission's counsel argued that, while disbursement was only an executive act, the decision to grant assistance was a policy matter. Once the decision to offer assistance was taken it was a 'legal commitment', and therefore amounted to pre-emption of financial capacity: Others who were standing in the queue were thereby shut out of assistance. The main issue, consequently, was whether the top executives of the IDBI had acted properly in sanctioning the assistance, and whether any undue favour was shown or undue influence exercised in the sanction.

In trying to counter the IDBI counsel's objection, the Commission's counsel needlessly referred to the Dutt Committee's procedures. It was sufficient to look at the terms of reference of the Commission more closely. For, then it is clearly seen that the words 'given' and 'granted' have been used synonymously. According to the terms of reference of the Commission, the Commission was meant to enquire, among other things, into "the financial assistance (by way of loans, underwritting of shares and debentures, purchase of shares or otherwise) given to the Larger Industrial Houses referred to in the Report of the Industrial Licensing Policy Enquiry Committee by certain



financial and other institutions ... with a view to determining the circumstances in which such assistance was granted, whether any undue favour was shown or undue influence exercised in the grant of such assistance or in prescribing the terms thereof and, if so, the concerns, institutions or persons responsible therefor".

The essence of the matter is that the giving or granting of financial assistance is not an instantaneous, indivisible act; rather, it is a process spread over time. 'Sanction' and 'disbursement' are two different aspects of the same phenomenon of 'grant of financial assistance'. The reservation of institutional finance occurs at the initial stage of sanction itself. Thus, it is quite legitimate to enquire into the circumstances in which financial assistance was sanctioned even when it was not actually disbursed and eventually cancelled. In fact, it is logically possible to construe a case where undue favour in the sanctioning of assistance is shown only for purposes of pre-emption of institutional finance. That would, indeed, be an instance of undue favour and, therefore, the case for enquiry is sufficiently strong irrespective of whether or not the financial assistance was disbursed.

Meanwhile, the Sarkar Commission has reserved its orders as to whether it is competent to enquire into the Bihar Alloy Steel and " High Quality Steel cases. In view of the above considerations regarding pre-emption, and especially in view of what is known regarding these two extremely dubious cases, the need for a public enquiry is considerable.

NAGALAND

'Operation Election'

"GENTLEMEN, this is going to be the most crucial and important election for our state." These were the words with which Sashi Aier, Development Commissioner and Chief Electoral Officer of the Government of Nagaland opened the conference of the District Electoral Officers of the state in November 1973. The District Electoral Officers were also District Magistrates of the three districts which comprised the then state of Nagaland. It was explained at this conference that the forthcoming election was a crucial one because it was for the first time that the ruling Naga Nationalist Organisation (NNO) was going to face a united opposition and fight the election on political issues; and it was an important election also because at it would be tested whether or not there was any room in the state's politics for the underground Naga Organisation, as that was the political issue the opposition party, the United Democratic Front (UDF), was really fighting on.

The state of Nagaland is going to the polls in the second week of February for its third general election. The election is supposedly for deciding who will rule the state for the next five years. This is part of the make-believe game of democracy, here as elsewhere in the country. But the make-believe is even less credible in Nagaland where the local population lives under constant surveillance of the army and various other para-military organisations like CRP, BSF, Assam Rifles, etc. For every two able-bodied Nagas in the state there is one representative of the coercive force of the state. It is this fact which is going to decide the outcome of the election.

Election management in the state has assumed a sophistication unheard of in any other part of the country. While the jawans of the Indian Army who come under the Army Act have not been enrolled as voters, all other Indian citizens — whether serving in the Assam Rifles, BSF, CRP and therefore also falling under the same Army Act — as well as the imported labourers of the Border Roads Organisation have been enrolled as voters. The total number thus enrolled is nearly a lakh. As the average number of voters in each constituency is between five and six thousand, the effect of the average of one thousand five hundred voters from these specially created categories on the fate of the election can be readily appreciated.

Hokishe Sema, Chief Minister of Nagaland, has gone on record as saying that in the ensuing elections the Nagas would prove once and for all that there was no real Naga underground problem by returning the NNO to power. Sema could not have been more right; for his administration is going to ensure that the NNO is going to be returned to power. Nagaland, with a population of about 5.5 lakhs, has 33,000 government servants. The polling in the approximately 1,000 booths could, therefore, be completed easily in one day. But, evidently, not too many of the government servants are regarded as being sufficiently reliable; as a result, only about 2,000 of them have been picked to perform the polling duties spread over the three days of February 12, 14 and 16, Each polling party will be assisted by a contingent or 16 persons bearing arms. The areas from which the voters are supposed to come to cast their votes will be commanded by personnel drawn exclusively from the Indian army. Large numbers of Indian army personnel have already started to arrive in the state to take up positions for 'operation election'.

Unfortunately, the UDF seems to be labouring under the illusion that the Naga vote is assured for it. It it were sufficiently aware that Sema's administration under the able guidance of Lallan Prasad Shingh, has done all that is humanly possible to attract the local voters, it would be far more cautious about entering the electoral game. The state has been carefully divided into seven districts so that all the major tribes have a district now: the Angamis have Kohima; the Chakhesangs, Phek; the Aos, Mokokchung; the Lothas, Wokha; the Semas, Zunheboto; the Konyakas, Mon; and so on. Shingh and Sema, moreover, did a thorough job of the delimitation of the 60 constituencies last year: all 'unreliable' groups of people were put together so that certain seats were hard-headedly written off, and at the same time other groups were so combined with the gentry from the BSF, etc, that at least 40 of the 60 constituencies have become virtual pocket-boroughs. Nevertheless, steps are still being taken to attract as many votes as possible. Government being virtually the sole employer in the state, state government employees represent a sizeable section of the voters: the state government has announced a substantial pay-hike for its employees, ranging from Rs 20 to Rs 50 per month. Offering of money by individual candidates may be a crime, but when it comes from the state itself, it is termed 'relief'. Citizens from other parts of the country who are not in state employ require a permit to enter Nagaland and another permit to be able to stay there. A rumour has been gently put afloat here that if the UDF is returned to power all non-locals would be sent out of the state.

Hokishe Sema should be about the happiest man in the state today. With his own unopposed return to the state Assembly and the assured victory of his party at the polls, he and his henchmen must have already started to plan the division of the spoils which will begin to flow in from April in yet another fiction known as the Fifth Five-Year Plan during which Nagaland has been assured munificence of Rs 250 crores. But, then, that is another story.

China's Naval Capabilities

Rahul Burman

THE recent exertion of Chinese authority over the Paracel group of islands in the South China Sea was largely a naval operation involving various arms of the Chinese navy. Missile-boats, landing craft, naval aircraft and marines appear to have been used in a brisk, co-ordinated action against South Vietnamese naval vessels and marines. The Paracels operation seems to indicate careful nurturing and development of Chinese naval strength since 1949.

When the Communists gained complete control of the Chinese mainland in 1949, there was no navy except for a few ships which had been unable to move to Taiwan. The largest one was an ancient cruiser which was sunk by a Nationalist air attack within a month after the Communists took over the ship. What remained was a motley collection of ex-American, ex-British and ex-Japanese ships, all of them World War Two craft or even older. The major units were nine former Japanese frigates which were in a state of complete disrepair. So Communist China's navy at that time had little or no operational capability.

Army Officers as Commanders

The personnel situation was deplorable as there was no nucleus of personnel with naval experience in the People's Liberation Army (PLA). The only naval personnel were those who had defected from the Nationalists and whose dependability was uncertain. Understandably, therefore, the first batch of commanders of Communist China's navy were army officers without any maritime experience who were chosen for their political background. But these army officers and the few Nationalist naval officers who had defected to the Communists could not fill the large gaps in the field of naval leadership, training and planning.

However, as early as September 1949, the Communist Chinese People's Political Consultative Conference resolved to develop a navy. In 1951, the People's Naval Academy was created, followed by two naval air academies. Despite this early recognition, serious naval expansion did not really begin till 1954, when the Soviet Union transferred outright some old destroyers, several submarines, and a lot of small craft, including 50 motor torpedo boats.

It has been estimated that as early as 1954 there were 1,500 to 2,000 Soviet naval advisers attached at nearly all levels to China's navy. Many Chinese naval officers were also being sent to the Soviet Union for training. Soviet aid did not stop with the provision of old warships and technical advice. During 1956 the Soviet Union began assisting the Chinese in the construction of several warships of the latest Soviet types, including long-range submarines. All these ships were designed in 1950 or later.

Quite dramatically, the growth of China's naval power began to slow down with the aggravation of the Peking-Moscow ideological dispute. By 1960, the naval construction programme had lessened considerably and also during the same year there was a rapid withdrawal of Soviet naval technicians and advisers.

But this did not greatly affect overall Chinese military capability as China is essentially a land power, even though it has a long coastline of 7,580 miles with 3,500 large and small islands scattered along it. China's coastline is characterised by shallow waters, innumerable islands, harbours and inlets. This coastline is ideal for both defensive and offensive mining. With the wide distribution of ports and with the long archipelagic coast, the seaward defence of the Chinese mainland can be well accomplished with the use of motor torpedo boats and fast gunboats. The shallow coastal waters, however, are far from ideal or submarine operations.

The headquarters of the three fleets — the North, East, and South China Fleets — are located in Tsingtao, Shanghai and Canton, respectively. The main naval bases included Port Arthur, Dairen, Choushan, Foochow, Swatow, Whampoa and Yulin. Some of these ports are former Nationalist or Japanese naval bases. Additionally, there are many smaller bases with varying facilities which give the navy an adequate number of bases available for operations along the entire coast.

China's navy is the smallest of its three armed services. There are different estimates about its strength, and it is not possible to say which is more correct. According to "The Military Balance 1971-72" published by the International Institute for Strategic Studies, London, China's navy comprises 150,000 officers and men, a figure which includes 28,000 naval air force personnel and marines. A more detailed estimate has been made by Hideo Sekino, a retired commander of the Imperial Japanese Navy, in "Naval Review 1971" published by the US Naval Institute. His figures are: 30 submarines, 27 destroyers and escorts, 535 patrol craft, 50 mine countermeasures craft, 305 amphibious warfare craft, 130 auxiliaries and 300 others. Total: 1,377 vessels of about 260,000 tons.

Attracting world-wide attention is the strength and potential of Communist China's submarine fleet. The Nationalist leftovers did not include even one submarine, but by the end of 1955 China already had 13 submarines. All these submarines were built before World War II, except the M-class. Strictly speaking, they were of little value in the postwar period. Later, around 1956, the Soviets began assisting the Chinese to build W-class submarines, the latest Soviet type at that time. By the end of 1959, the total number of W-class submarines reached 24 and by the end of 1962, it was estimated that China possessed a total of 50 submarines, of which there were at least 30 of the W-class.

The Plan that Failed

The W-class submarines have a capability for both torpedo attack and mine-laying. Some of them also have a deck tank for housing missiles and two deck launcher ramps for surface firing. Relatively small, these vessels have an average radius of 14,500 miles and a missile range of about 250 miles.

When Peng Teh-huai was the Minister of Defence, he talked about a long-range plan to build 300 submarines. At that time, China still enjoyed the full support of the Soviet Union, and so this Plan could not be dismissed as fantasy. However, since the Sino-Soviet split, this plan is unlikely to become a reality in the foreseeable future.

Chou En-lai claimed in 1960 that Peking could build a nuclear-powered submarine in five years and according to a French news source, China did launch its first nuclear-powered submarine in 1965. "Jane's Fighting Ships 1971-72" suggests that the submarines currently being built in Chinese yards may be nuclear-powered; but these guesses should be treated with reserve. Judging from the present state of Chinese technology, it seems improbable that the Chinese can build a nuclear-powered ship before 1975.

In 1964 China built what seems like

a Soviet G-class submarine at Dairen. At that time the Pentagon thought this move might herald the creation of an equivalent of the Polaris fleet. However, no further step in this direction was reported between 1964 and 1967. The first firm evidence that China was building submarines capable of launching ballistic missiles only came to notice in 1968. Since then there have been numerous reports that more such submarines are being built in Chinese shipyards; but if so, the rate of construction appears to be very slow. An effective strategic missile submarine force is unlikely to be created before 1980.

The G-class is a ballistic missile submarine with three vertical missile tubes and six bow torpedo tubes. 320 feet long, it weighs 2,350 tons on the surface and has a combat radius of 22,700 miles. China is believed to have at least two G-class submarines in operation. Conventionally powered, they are no match for nuclear-powered submarines either in speed or in range. However, they still are powerful weapons systems and can pose a considerable threat to many parts of the world.

Psychological Weapon

The range of the missiles carried by the G-class submarines is estimated at 380 miles to 400 miles. China may be planning to build new long-range and larger submarines specifically designed for carrying and launching IRBMs with a range of 1,500 miles. This is a possible explanation for the slow rate of construction of the G-class. China is, however, still a very long way from the possession of a powerful undersea fleet. As a strategic military instrument, the present position of Chinese submarines is only marginal, but their value as a psychological weapon may be much greater.

China's navy is, however, the largest Asian navy. Its fleet of long-range submarines gives it some offensive capability and its coastal region is protected by a large fleet of small ships. Today, China is the only Asian nation, other than Japan, conducting a substantial and sustained naval building programme. Although most of the ships built in Chinese yards are Soviet-designed, the Shanghai-class motor gunboats and the Swatow-class patrol boats are both of Chinese design. A West German news source reported recently that three new destroyers were under construction. If the report is correct, it indicates that China has made major progress in naval technology.

But the major surface units of China's navy consist only of four obsolete Gordy-class destroyers and four Riga-class destroyer escorts. The shortage of large warships certainly represents a weakness in the force. The coastal defence strength lies in the fleet of smaller ships. First in importance are the 15 missile-armed patrol boats of Soviet design carrying Styx missiles. (Some of these missile-boats appear to have been effectively used in the recent Paracels action.) They are supported by a larger number of motor torpedo boats and motor gunboats totalling about 500 as well as 24 Kronstadt-class submarine chasers. There are only 50 minesweepers, which certainly is another shortcoming because China has such a long and easily mineable coast to protect.

Essentially Defensive Navy

The conclusion to be drawn is that China's navy is essentially defensive in orientation. With an emphasis on fast motor boats, however, the Chinese Communists give themselves a tactical offensive power which could be used within close range of their bases. These units are highly mobile, shallow-draft ships which can utilise the irregularities of the coastline to conceal their movements from enemy forces.

Since 1954 there have been several surface engagements between Communist China's naval units and those of Taiwan. It appears that China lost many small craft, but also inflicted serious damage, including sinkings, on a few major units of Taiwan.

The Chinese never committed any unit larger than a motor boat in these battles. Generally, attacks were made at night. Such clashes have continued through the years but with a definite decline in frequency.

The Chinese navy also has a small air arm. This naval air force, believed to be 16,000 strong, includes amongst its 500 aircraft about 100 Soviet Il-28 torpedo bombers and a large number of fighters of the MiG series. Land-based, this force can be employed in short and medium-range over-water reconnaissance and coastal mine-laying. Its bombers and fighters can also be used to attack shipping in waters adjacent to the Chinese mainland.

The navy also has a relatively small amphibious landing force of about 28,000 men, but details of its organisation and equipment are not available. The Communists inherited a heterogeneous collection of landing ships and craft from the Nationalists. Despite the lack of confirmation of new construction of landing craft, it can be surmised that the Chinese have already built new landing craft to replace the old units. Such amphibious ships and craft are relatively simple to produce in quantity. In addition, the navy can requisition several thousand motorised junks and towed barges to augment troop carrying capability.

Despite its notable progress, the weaknesses of the navy remain critical. Although it has a measurable offensive capability, it is still basically a coastal defence force. Major shortcomings exist in minesweepers, large surface warships and operational readiness. The Cultural Revolution may have impaired the normal training and readiness of navy units. A recent article in the *People's Daily* blamed the lack of development of the navy and merchant marine on the former Head of State, Liu Shao-chi, and in the same article Mao Tse-tung was cited as calling for an all-out shipbuilding programme to create both a strong navy and a large merchant fleet.

Asia's Largest Navy

Despite Mao's call for a powerful navy, there seems to be little likelihood of any change in China's immediate naval policy. The principal objective is to protect coastal shipping and to repel sea-borne attack. The expressed aims of "liberating Taiwan" and "furthering the world revolution" should be seen as having at most propagandistic value. An invasion of Taiwan definitely does not figure in immediate Chinese plans.

During the past 20 years China has created Asia's largest navy and a substantial shipbuilding industry. These achievements, during a period when so many other things had to be given high priority in its national programmes, imply that the Chinese leadership is keenly aware of the strategic opportunities and advantages which sea power can afford.

Past and present weaknesses do not indicate that China's navy has only a limited future. The naval development has been delayed for many — mainly transitional — reasons. There is no shortcoming — including the lack of experienced naval commanders — which cannot be overcome with time, and no important barrier to future development appears to exist. There is no doubt that China has the necessary potential to become a great sea power.

The Harijans' Worsening Plight

Leela Visaria

Income Earning Trends and Social Status of the Harijan Community in Tamil Nadu by Alladi Vagiswari; Madras Institute of Development Studies, Madras, 1972; pp 150 + viii; Rs 7.50.

THIS is the first book in the series of empirical studies, planned by the Madras Institute of Development Studies, to enhance understanding of the "urgent problems faced by the Government and people of the State". The study is intended to assist the concerned departments of the Government in strengthening and/or reorienting their programmes for the development of the Harijan community. Since the information collected by the Censuses on the scheduled castes and tribes pertains only to the basic demographic and economic characteristics, an empirical study of the Harijans, which goes beyond the Census, is likely to arouse interest among social scientists as well.

The study covered a sample of 1,000 rural families — 800 Harijan and 200 non-Harijan — selected from four districts (Thanjavur, Chingleput, Madurai and South Arcot) of Tamil Nadu. It attempts to measure, through economic and social status indices, the level of discrimination suffered by the Harijans. It also attempts to study the trends in poverty over two decades between 1950 and 1970. This is done by comparing the income and occupation of Harijans (and non-Harijans) on the basis of their responses about the situation prevailing in the earlier years. (There is no mention of the reservations one would naturally entertain about responses related to the situation 10 or 20 years prior to the interview.)

Position Worsens

It was estimated that the per capita annual income of the Harijans in 1970 was Rs 227, as against Rs 406 for the non-Harijans. The differences in per capita expenditure were, however, much smaller because of significantly higher dis-saving or indebtedness among the Harijans. In terms of all the economic indicators — size of land holding, employment, occupation, income, saving — it was found that the position of Harijans had progressively worsened between 1950 and 1970, also it had deteriorated compared to the non-Harijans during the same period. In spite of the special programmes undertaken by the Indian government for the uplift of the scheduled castes and tribes, the situation of the Harijans does not appear to have improved. The study also indicates that when Harijans and non-Harijans were employed as coolies on daily wage rate, the average income of the Harijans was lower than that of the caste Hindus in 1950 and 1970. This is apparently due to the fact that Harijan coolies were unemployed anywhere between 50 and 150 days in a year. The income of the Harijan owner-cultivators and the non-agricultural workers was significantly lower than that of the non-Harijans in these occupational groups because of the small land holdings and the low-paying menial jobs of the Harijans.

Low Literacy

The level of literacy among Harijans at all ages was considerably lower than among the non-Harijans in the corresponding age-groups. In the age group 5-14, only about 45 per cent of the Harijan children (55 per cent of the boys and 34 per cent of the girls) were attending school in 1970. The corresponding school enrolment rates for the non-Harijans were 76 per cent for all children, 81 per cent for boys and 70 per cent for girls. The author has stated the well known reasons for low attendance in school by Harijan children, such as the ignorance of the parents about the benefits of education or about the Government scholarships, or long distances that the children have to travel to attend school or employment taken up by children to supplement family income. However, it is not clear whether any specific questions were asked to ascertain the reasons for low attendance in school and what proportion of parents or respondents considered each of these reasons important. The subject of people's perceptions of benefits of education and difficulties encountered in attaining it is quite important and needs to be probed.

The information on the perceived social position of the Harijans indicated that there was "significant difference in felt and professed discrimination" according to whether the respondent was Harijan or non-Harijan (p 112). On several issues like, walking in the street whether high caste Hindus live, entry into their homes or eating with them, access to common wells, entry into village temples, Harijans felt more discrimination than was admitted as prevalent by the high caste respondents. However, a somewhat negative relation was found to exist between discrimination and literacy, income and size of land holding. Even though the number of Harijans with higher literacy or income was very small, it suggests that less discrimination was practised against those who were on a higher rung of the economic ladder.

The inter-district comparison of the social and economic level of Harijans shows that the Harijans of Thanjavur were much worse off on almost all indicators than the Harijans of the other districts. This is rather surprising because of the relative agricultural prosperity of Thanjavur. Apparently, the benefits of the high agricultural productivity have not trickled down to the Harijans, the majority of whom work as agricultural labourers. The rigidity of the social customs and the relatively poor bargaining power have kept the Harijans in their caste-ordained position.

Major Recommendation

After examining some of the causes of poverty of Harijans such as low-income earning capacity due to less remunerative occupations, high unemployment and low literacy level along with high dependency burden, the author concludes the book with certain recommendations to alleviate these problems. The major recommendation is to increase the per capita income of the Harijans through education (intensifying adult education, giving more scholarships, building hostels), economic development (distributing land to the poor labourers, increasing farm production through co-operative farming, enforcing minimum wages, etc) and rural works, health and rural housing (extending existing health and nutrition services, integrating housing of Harijans and non-Harijans). These suggestions are not really new and if some of them can be efficiently enforced, the gains for the Harijans can be substantial. However, one wonders whether integrated rural housing is likely to be feasible in the near future without dedicated efforts to alter the outlook of the people.

Although the data presented in the

book are interesting, the book suffers from a lack of proper handling of statistical tools. Percentages and percentage points are confused throughout the book, and as a result, sometimes erroneous inferences are drawn. For example, while discussing the 1961 Census data for Tamil Nadu, it is stated that the difference in literacy between Harijans and non-Harijans "reaches about 27 per cent" among males and it "is much less in the case of females" — approximately "15 per cent" (p 12). Actually, the 1961 Census data indicated a literacy rate of 49 and 22 per cent among non-Harijan and Harijan males and 21 and 6 per cent among females, respectively. Thus the difference was of 27 percentage points among males and 15 points among females. Since the ratio of literacy rates of the two groups was 3.5 for females and 2.2 for males, it seems obvious that the disparity was greater among the former.

Also, the schedules and instructions have been included in the book to infrom the readers about the precise scope of the inquiry and the concepts and definitions of various terms. Although the book does not quite fulfil the expectations roused by the title and the objectives set out in the preface, it is a welcome addition to the few empirical studies on the Harijan community.

International Academic Trafficking

Philip G Altbach

US Infiltration in Indian Education by Binoy K Roy; Perspective Publications, New Delhi, 1973; pp 94; Rs 20.

THIS book concentrates on attacking a range of American foreign aid programmes relating to education and intellectual life in India. The most interesting aspect of this slim volume are two chapters which deal with American book programmes. Roy points out that the United States has financially supported the publication of textbooks for Indian college students and correctly argues that these "PL-480" book subsidies have bad effects both on the educational system and on the publishing industry. He also argues that the conservative biases of American social science have a pernicious effect on the Indian educational system. Comments from various Indian publishers are provided to suggest these contentions. It should be stated, however, that a number of publishers have supported the book programme.

Many Negative Effects

Roy points out that Delhi University has, over the years, received substantial assistance from the Ford and Rockefeller Foundations. He asserts that this aid has had many negative effects. For example, American advisers have tilted academic programmes in a pro-American direction and that American money has somehow tainted the university. Further, the large numbers of Indian scholars who have received training in the United States have developed pro-American political and methodological biases.

Unfortunately, little evidence is marshalled to support the contentions made in this volume. Charges of CIA activity are made, but again little firm data is presented concerning these charges. The most useful element of this book is that it raises some important questions about role of foreign aid and the impact of foreign countries on India's intellectual and academic life. One wishes that Roy had placed his analysis in a broader framework and that he had presented a more complete picture based on firmer factual grounds. For example, it can be argued that Indian intellectual life, in general, is very much oriented toward foreign models. This is not surprising when one considers the fact that the very institutional basis of higher education is linked to British (and more recently American) models. The simple facts that *Time* magazine and *The Readers' Digest* have very large circulations in India and that Indian academics tend to look to the norms of the international scholarly community rather than to indigenous needs and problems are a key to any discussion of infiltration.

Willingly Accepted Aid

There is no question that the Indian intellectual community has, for the most part, willingly accepted assistance from the United States and other countries. The Indo-American Textbook Programme has, for example, been sanctioned by the Ministry of Education and the selection of the books to be printed is made by a joint Indo-American committee. This is not to defend the programme, but simply to point out that, for the most part, American neocolonialism has been willingly accepted by the Indian academic community.

While it is possible that some spying has been done by foreign scholars and aid officials, this is not the main issue. What is important is the overall effect, both positive and negative, of aid programmes. How far has the academic community been deformed by aid programmes? Are Indian Scholars dealing with matters which are relevant to India or are they simply copying the methodological impulses of the West? It is necessary for Indian researchers to begin the difficult and perhaps embarrassing task of serious analysis of just how the Indian academic community has interacted with powerful, wealthy, and often beguiling currents from overseas.

Intriguing Questions

One can point to a number of intriguing questions which might be investigated in order to go beyond generalisations to serious analysis. For example, just how has Delhi University been damaged by aid from foreign countries? It will be necessary to investigate such points as changes in the curriculum, the orientations of key academic leaders, and organisational factors, in order to come to meaningful conclusions. Simply stating that a key Rockefeller Foundation official was on the university staff for several years is not enough. The role of the IITs is another fruitful area for analysis. How have the IITs, with their massive foreign inputs, affected engineering and science education in India?

Roy's book will serve a useful purpose if it stimulates serious research and thinking on a topic of major importance. The nexus between Indian intellectuals and foreign aid and foreign academic currents is an issue of the utmost concern. The point is that this nexus is a complex one in which both the donors and the recipients are involved. The Americans, who are the villains of Roy's book, have certainly contributed in a major way to the foreign impact on Indian academic life. But Roy's volume does not help much to clarify issues or raise important general questions. It is a polemic and a flawed one at that.

The Sixth Finance Commission

An Evaluation of Its Recommendations

N J Jhaveri

The redistributive bias in the Sixth Finance Commission's recommendations, the dovetailing of Plan and non-Plan expenditure and the attempt to reduce 'discretionary' assistance are noteworthy.

The approach adopted by the Commission of devising a scheme of non-Plan resource devolution having the same overall objectives as those of national planning was perhaps the best possible in the circumstances. However, the Commission could have relied on this approach all along and evolved a scheme of need-based resource devolution instead of considering each item of devolution separately.

Further, unless the financial discipline in the form of realisation of revenue targets, restraining inessential expenditure, upgrading the levels of social services, improvement in the financial performance of public undertakings, etc, implicit in the Commission's recommendations, is observed, these recommendations will not have the desired impact.

[The views expressed in this article are the personal views of the author.]

NATIONAL economic planning in India has resulted in considerable centralisation of resources. The Planning Commission (PC) has emerged as an important agency for Central transfers (mainly for developmental purposes) along with the Finance Commission (FC). For the purpose of formulating the Plan, the PC estimates resources that may be available for financing State Plans (as well as the Central Plan); such an exercise, by its very nature, encompasses the entire area of the state governments' financial transactions. Therefore, demarcation of an area of devolution under the exclusive jurisdiction of the FC is not possible. There is an overlap of functions and both the PC and the FC carry out independent resource exercises for estimating each state's position on non-Plan account. However, as the federal financial system has evolved in India, recommendations of the FC relating to shared taxes and grants-in-aid under Article 275 of the Constitution are generally accepted by the Government. The PC independently estimates the balance from current revenues (i e, the excess/shortfall of revenue receipts at pre-Plan levels of taxation over current non-Plan expenditure), the magnitude of which (excluding Central transfers) differs from the FC's estimate of the non-Plan revenue position (excluding transfers from the Centre). In its own estimate the PC does not alter (except for taking cognisance of actual collections from shared taxes) the FC's recommendations (as accepted by the Central Government). But in the resource exercise which forms the basis for determination of the Plan size, presumably the PC's estimates finally prevail. Therefore, the importance of the FC's recommendations consists not so much in the magnitude of the gaps assessed by it but in (i) its approach to the problem of federal finance, (ii) the methodology adopted by it for estimating non-Plan resource gap and (iii) the criteria applied by it for inter-state distribution of resources.

In the matter of evolving rational criteria for its scheme of devolution, the FC, *vis-a-vis* the PC, is in a disadvantageous position on two accounts. One of these is the pervasive scope of the PC in contrast to the restricted purview of the FC (e g, non-Plan revenue account in the case of the Fourth and the Fifth FCs). Secondly, the PC, in devising its scheme of resource transfer and of resource allocation in general, has the benefit of agreed Plan priorities which, in turn, are presumably determined in accordance with the overall objectives of planning. Thus a rational and well-defined basis already exists for the PC's devolution. In the case of the FC, the terms of reference, which may be expected to lay down certain specific criteria, are couched in very broad terms (e g, "the scope for better fiscal management as also for economy consistent with efficiency") rendering formulation of operational criteria rather difficult.

The terms of reference of the Sixth FC mark an improvement over those of the earlier ones in both these respects. For the first time, assessment of the non-Plan capital gap has been brought within the purview of FC thus requiring the Sixth FC to take into account the total resources and expenditure — revenue and capital — on non-Plan account. Further, the Commission is expected to evolve norms for estimating the requirements of resources for maintenance of capital assets. What is more, for the first time, the FC has been asked to estimate requirements for upgrading the "standards of general administration" prevailing in the backward states. These may be considered to provide some definite guidelines to the Sixth FC's scheme of devolution.

Despite the extension in its area of operations, the Sixth FC could have lamented about restrictions on its operations *vis-a-vis* the PC. Though it noted the fact of emergence of the PC as another important channel of Central transfers, displaying commendable pragmatism, the Sixth FC did not consider this development as detracting in any way "from the efficacy of the provisions embodied in the Constitution" (para 3, page 6). Indicative of its constructive approach to the entire problem of Union-State financial relations is its "generous interpretation" of Central transfers as Centre's response to the expanding needs of the states in an effort to ensure the use of national resources in a decentralised fashion. The cornerstone of its own approach to the problem of devolution consistent with this interpretation is expressed in its view that "the resources belong to the nation and they should be applied at points where they are most needed" (para 15, page 7). Resource devolution based on assessment of regional-cum-development sector-wise need as aimed at by the FC may be considered to represent an approach wholly consistent with the requirement



TABLE 1 : PER CAPITA TRANSFERS

States	Ranking of States in Descending Order of									
	Income		Population		Shared Taxes		Grants		Total Transfers	
	Per Capita (Rs)	Rank	Percentage of Total	Rank	Per Capita Annual Amount (Rs)	Rank	Per Capita Annual Amount (Rs)	Rank	Per Capita Annual Amount (Rs)	Rank
Nagaland	371		0.10		27.32		515.36		542.68	
Manipur	492		0.20		24.51		203.24		232.75	
Meghalaya			0.19		25.70		149.34		175.04	
Tripura	513		0.29		24.61		140.63		165.24	
Himachal Pradesh	572		0.64		24.63		91.98		116.61	
Jammu and Kashmir	453		0.85		25.56		75.43		100.99	
Assam	543*		2.70		25.35		34.87		60.22	
Punjab	953	1	2.50	13	24.85	13	—		24.85	13
Haryana	836	2	1.86	14	24.13	14	—		24.13	14
Maharashtra	677	3	9.31	3	28.24	1	—		28.24	8
Gujarat	671	4	4.93	9	27.61	2	—		27.61	9
West Bengal	630	5	8.19	4	26.55	3	10.60	4	37.15	4
Tamil Nadu	591	6	7.61	7	26.14	7	—		26.14	11
Kerala	583	7	3.94	12	25.45	11	19.62	2	45.07	2
Orissa	550	8	4.05	11	24.89	12	27.83	1	52.72	1
Karnataka	541	9	5.41	8	26.19	5	—		26.19	10
Andhra Pradesh	528	10	8.04	5	26.21	4	9.47	5	35.68	5
Uttar Pradesh	482	11	16.32	1	26.05	9	4.50	6	30.55	6
Rajasthan	472	12	4.76	10	25.84	10	17.87	3	43.71	3
Madhya Pradesh	457	13	7.70	6	26.07	8	—		26.07	12
Bihar	389	14	10.41	2	26.18	6	3.77	7	29.95	7
All States Average	551				26.23		9.27		35.50	

* Includes Meghalaya.

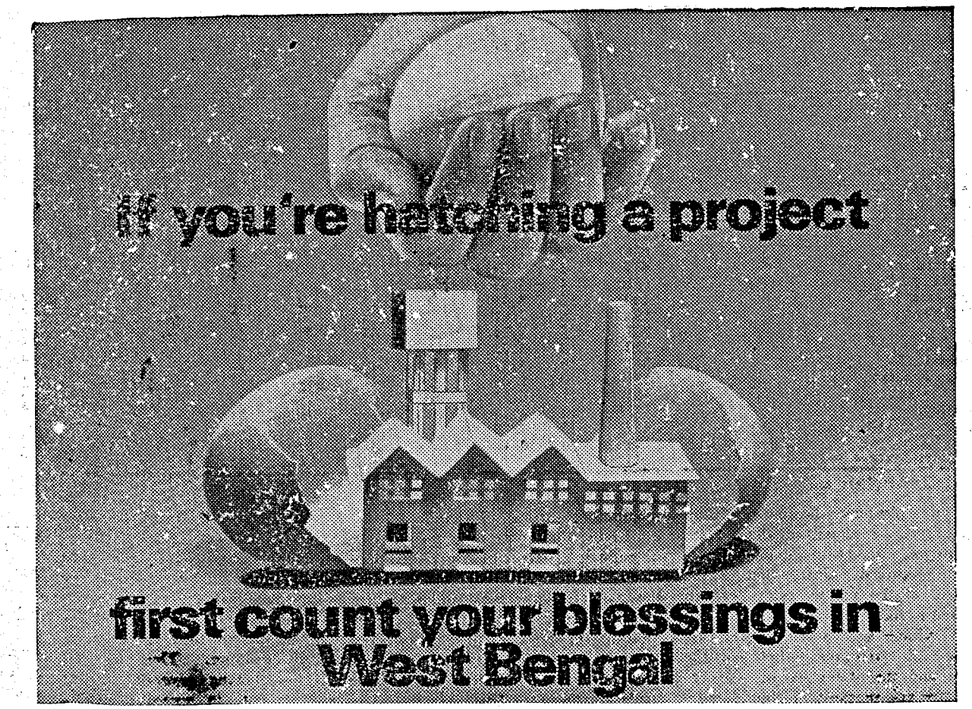
of national planning; the role of FC in this context, as stated in the Sixth FC's Report, "ought to be one of settling the optimal distribution of the recources of the public sector between the Centre and the states" (para 12, page 7). Under such a scheme, the distribution of resources between the Centre and the states would cease to be a primary purpose of the exercise; it would emerge as an end result of distribution of national resources in accordance with assessment of relative needs and relative efficiency of a level of government in satisfying these.

Doubts may be raised regarding the competence of the FC, whose recommendations are confined only to the non-Plan account, in devising an operational scheme of devolution aiming at deployment of "national resources" in accordance with the "points at which they are most needed". A total resource exercise and estimate of needs implicit in this approach can be done only by the PC. One might argue that assessment of needs and resources by the FC would not only be partial and hence inefficient but would constitute mainly redetermination of the non-Plan positions. In the absence of knowledge of the procedure adopted by the PC in assessment of state resources and determination of State Plan outlays it is not possible to examine the force of this argument. But it is significant that the Sixth FC in its recommendations relating to Article 275 grants is required to adopt norms for maintenance of capital assets and assess requirements of backward states in upgrading the standards of general administration. Thus the terms of reference clearly indicate the positive contribution (and not merely the repetitive role of assessing non-Plan positions) that can be made by the FC. The attempt by the Sixth FC to devise a scheme of non-Plan devolution based on certain criteria should be considered an improvement in itself insofar as it is a step in the direction of allocation of resources in accordance with objective assessment of needs. It is against this background that recommendations of the FC may be examined.

TERMS OF REFERENCE

One aspect of the Sixth FC's Report which deserves a special mention is the detailed discussion of each of the items included in its terms of reference. Generally the procedure adopted by the Commission is to define the scope of its terms of reference and then to discuss the procedure adopted by it stating the assumptions made and the estimates arrived at by it and the basis thereof. For instance, in the chapter relating to "Reassessment of the Forecasts of State Governments" the rates of growth adopted by it for different items of revenue and expenditure are indicated. It will be observed from the discussion on this subject in the Report that while the Commission's estimates are based uniformly on 1972-73 price levels, it has assumed different growth rates for state taxes (within a specified range) for different states and allowed for different growth rates for different items of expenditure. Thus, for instance, while allowing generally 5 per cent growth rate in regard to non-development expenditure, it has provided for higher growth rates in respect of sales tax collection and registration (8 per cent) and police (6 per cent). A realistic assessment of resources of each state with a somewhat "generous" assumption in regard to growth rates of non-Plan expenditure are expected to "partly eliminate the risk of budgetary balance being disturbed by inescapable new commitments".

In regard to provision for revision of emoluments of state government employees, the Commission has adopted January 1, 1972 as the bench-mark date. It has, however, made provision for increase in the cost of living between January 1972 and April 1973 on the basis of the proportion of neutralisation as recommended by the Third Pay Commission for the Central Government employees. The 'normative' basis adopted by it thus avoids any penalty on states which exercised restraint in making provisions for pay and allowances. At the same time, in respect of states in which the emoluments of



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TABLE 2 : PERCENTAGE SHARE IN UNION EXCISE DUTIES

States	As Recommended by	
	Fifth Commission	Sixth Commission
(1) Andhra Pradesh	7.15	8.16
(2) Assam	2.51	2.71
(3) Bihar	13.81	11.47
(4) Gujarat	4.17	4.57
(5) Haryana	1.49	1.53
(6) Himachal Pradesh	—	0.63
(7) Jammu and Kashmir	1.12	0.90
(8) Karnataka	4.65	5.45
(9) Kerala	4.28	3.86
(10) Madhya Pradesh	8.48	8.15
(11) Maharashtra	7.93	8.58
(12) Manipur	—	0.21
(13) Meghalaya	—	0.19
(14) Nagaland	0.08	0.11
(15) Orissa	4.72	4.06
(16) Punjab	2.17	1.87
(17) Rajasthan	2.17	1.87
(18) Tamil Nadu	6.50	7.43
(19) Tripura	—	0.30
(20) Uttar Pradesh	18.82	17.03
(21) West Bengal	6.84	7.79
Total	100.00	100.00

state government employees were below average as on January 1, 1972, it has calculated requirements for attaining the average level and accordingly provided for these amounts in the estimates. The norms adopted by the Commission for maintenance of different capital assets and basis thereof are spelt out in detail in the Report. In other matters such as its suggestions regarding financing of relief expenditure, recommendations relating to upgradation of standards of general administration, etc, the Commission has sought to provide adequate justification for its recommendations.

On the whole, by choosing to make available to the readers a large part of data collected by it and, so to say, its home-work, the Commission has skilfully publicised the thorough, meticulous and judiciously discriminatory approach adopted by it. While this has considerably improved a proper appreciation of the Commission's recommendations, it has made it difficult to cover in detail all the aspects of its recommendations within the purview of a single article. The following paras contain some observations relating to the Commission's recommendations; state-wise details of recommendations and provisions are given in tabular form (in Annexure Tables 1 and 2).

The magnitude of Central transfers as recommended by the Sixth FC for the period 1974-79 (i e, Fifth Five-Year Plan) at Rs 9,609 crores is considerably larger than the accrual of Rs 5,316 crores to states during 1969-74 on the basis of the Fifth FC's recommendations. Shared taxes and duties are expected to rise from Rs 4,605 crores (or 86.6 per cent of FC transfers) during 1969-74 to Rs 7,099 crores (73.9 per cent) during 1974-79.

To a large extent the accrual of additional amounts as shared taxes to the states during the Fifth Plan would represent normal growth in shareable taxes during the Fourth Plan reinforced by a large Central tax effort during that period; these two factors together (as indicated by an annual average compound growth of 14.9 per cent in shareable taxes during the Fourth Plan) would have augmented the size of the divisible pool of taxes as calculated at 1973-74 rates of taxation. The increase in states' share in income-tax — to 80 per cent from 75 per cent hitherto — and in Union excise duties — following inclusion of net proceeds from auxiliary duties, so far excluded, in the divisible pool from 1976-77 — would account for only a small portion of the increase in estimated accruals to states from shared taxes during 1974-79.[1]

On the other hand, Article 275 grants recommended by the Sixth FC at Rs 2,510 crores indicate a major increase over the amounts of such grants recommended by the Fifth FC for the period 1969-74 (Rs 711 crores).[2] This increase is partly on account of grants recommended by the Sixth FC in respect of Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland and Tripura which have virtually no resource base of their own and whose requirements have hence to be met almost totally through Central transfers. However, even excluding these states, which are in a special category, the quantum of grants recommended by the Commission was Rs 1,745 crores as against Rs 382 crores received under the Fifth FC's award during 1969-74. This was mainly on account of the provision made by the Commission for maintenance of capital assets and upgradation of administrative and social services in backward states.

In regard to *inter se* distribution of states' share, like the previous Commissions, the Sixth FC worked out the share of each state in each of the shareable items separately. The basis of distribution in respect of income-tax was the same as adopted by the Fifth FC, *viz*, 90 per cent population and 10 per cent assessments. In respect of Union excise duties, the weightage of population factor has been reduced from 80 per cent to 75 per cent; the balance is to be distributed on the basis of per capita incomes (the figure of per capita incomes used by the FC is an average of such figures for the three years, 1967-68 to 1969-70), the low level of which would appear to have been adopted as a measure of backwardness. In the formula used by the Commission for assigning weightage to the backwardness factor, population of each state and 'distance' of a state's per capita income from that of the highest per capita state income were the two components. Thus under this formula, excepting Punjab, which had the highest per capita income, all the others states qualified for a share in Union excise duties under the criterion of 'backwardness'. This, it may be noted, marked an important departure from the procedure and principles adopted by the Fifth FC for giving weightage to the factor of backwardness. In the first place, unlike the Fifth Commission which treated low per capita income as one (though major) of the criteria of backwardness, the Sixth FC considered per capita income as the sole criterion of relative economic position of the states. Secondly, under the method adopted by the Fifth FC to assign weightage to per capita incomes, all states having per capita income above average (even if it was nominally above average) were not assigned any share as per state income component of backwardness factor. Under the Sixth FC's recommendations, as already stated, except Punjab all the other states obtained a share on the basis of backwardness.

In regard to *inter se* distribution of additional excise duties also the Sixth Commission has departed in two ways.

TABLE 3 : STATE-WISE DEBT RELIEF

Category A			Category B			Category C		
State	Amount of Repayment as Per Cent of SDP	Amount of Debt Relief (Rs crores)	State	Amount of Repayment as Per Cent of SDP	Amount of Debt Relief (Rs crores)	State	Amount of Repayment as Per Cent of SDP	Amount of Debt Relief (Rs crores)
Punjab	6.5	15	Bihar	10.7	133	Orissa	20.7	157
Gujarat	6.8	36	Haryana	11.0	33	Assam	24.8	163
Maharashtra	6.9	67	Andhra Pradesh	13.4	191	Tripura	26.1	14
Uttar Pradesh	7.9	151	Karnataka	14.9	127	Rajasthan	31.4	258
Tamil Nadu	8.7	87	Meghalaya	15.2	8	Himachal Pradesh	33.2	35
West Bengal	9.3	143	Kerala	17.1	110	Manipur	40.7	15
Madhya Pradesh	9.6	87				Nagaland	48.4	6
						Jammu and Kashmir	90.8	134
Total		586			602			782

First, the practice of providing for 'guaranteed amounts' has been given up; the entire amount (and not the excess over the guaranteed amounts as hitherto) is thrown into the divisible pool. Secondly, while theoretically conceding state-wise consumption of commodities subject to additional excise duties as an "incontrovertible" basis of *inter se* distribution, on account of non-availability of requisite data it has, like previous Commissions, adopted "some reliable indicators" of the level of consumption of these commodities as the basis of distribution. According to the Commission, population is a major indicator of consumption and has been given a higher weightage — 70 per cent as against 50 per cent by the Fifth FC — but sales tax collections (either excluding or including inter-state sales tax collections) have been totally rejected as a basis. Instead, the Commission has given 20 per cent weightage to State Domestic Product and 10 per cent to production.[3]

In assessment of requirements for maintenance of capital assets and upgrading of standards of general administration in backward states, amounts provided in forecast of backward states are understandably larger than those provided in respect of other states. The enhanced provision for these purposes in the Commission's forecast has resulted in enlarging the non-Plan resource gap of the backward states and corresponding increase in grants-in-aid recommended for them under Article 275. The actual quantum of grants would have been still higher but for the procedure adopted by the Commission for assessing "sound fiscal management". It evolved certain norms and "marked-up", wherever necessary, states' forecasts of interest receipts from State Electricity Boards and receipts from Irrigation (Commercial) and Multi-purpose River Schemes. These "mark-ups" in respect of backward states correspondingly reduced the estimated resource gaps. But in terms of magnitude, the mark-ups did not add upto large figures.

A scheme of resource transfer in which distribution among states is determined separately in respect of each item may be expected to conform to a pattern only to the extent criteria adopted for different items constitute one. In view of the weightage given to the factor of backwardness, measured directly or indirectly by low level of state-incomes,[4] it would be reasonable to expect close correlation between the magnitude of Central transfers recommended by the Commission and low state incomes. Relevant data are given Table 1; for the sake of inter-state comparison figures are reduced to per capita terms. Seven states, *viz*, Assam, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland and Tripura are excluded from the order of ranking to avoid vitiating of inter-state comparisons. While Assam is excluded because the per capita figure in its case includes that of Meghalaya, the other six states are omitted from ranking because of their weak financial position and consequent recommendations of large transfers by the FC.

POPULATION FACTOR

It will be noticed that the correspondence between Central transfers recommended by the FC and per capita incomes is incomplete. For instance, states occupying the first five positions in ranking by per capita transfers as recommended by the FC, included only two states which occupied positions among the last five in ranking by per capita incomes. Taking shared taxes alone, of the five states which occupied last five positions in ranking by per capita state incomes only one found place in the first five positions in ranking of states by per capita shared taxes.

This raises an important issue, *viz*, to what extent recommendations of the Sixth FC are consistent with its objective of allocating national resources at points where they are most needed. As mentioned already, in its recommendations, factors which have been assigned significant weightage are (i) population, (ii) low per capita incomes and (iii) low provision for maintenance of capital assets and for administrative and social services in respect of backward states. However, population is the factor to which maximum weightage has been assigned, at least in respect of *inter se* distribution of shared taxes. But population furnishes only a "broad" measure of need. (Report of the Finance Commission, 1952, para 27, page 75). The correlation between relatively high population and low per capita incomes of states is not close in all the cases. For instance, while Punjab and Haryana, states with the highest per capita incomes, occupied the last two positions in ranking by population, Maharashtra ranked third both in terms of per capita income and population and West Bengal having fifth rank in terms of per capita income ranked fourth in terms of population. Tamil Nadu which ranked sixth in terms of per capita income was seventh in terms of population.

Having accepted low per capita income as an indicator of need, a logical step ought to have been to accord higher weightage to that factor. The terms of reference of the Commission did not preclude adoption of any set of principles in regard to *inter se* distribution; the choice of weightage to different factors was, therefore, the Commission's own decision. Thus for instance, in regard to income-tax the Commission endorsed the weightage accorded to the population factor by successive Finance Commissions mainly (i) to ensure a "reasonable measure of stability in the principles of distribution" in "our complex federal system" and (ii) because "economic disabilities" of some backward states are sought to be mitigated by it through weightage for relative backwardness in the distribution of Union excise duties and grants-in-aid.

One might ask as to what is the sanctity in adhering to stable principles in the matter of distribution of income-tax alone! In regard to Union excise duties the first FC adopted population as the sole basis of distribution. If the successive Commissions had attempted to maintain stable principles, relative backwardness, which has "now" become an accepted criterion would not have found its place in the distribution formula. Even in regard to income-tax at least two Commissions assigned 20 per cent weightage to the factor of contribution. The Sixth Commission accepted in principle the states' claim based on contribution in respect of incomes which "have purely local origin" and assigned 10 per cent weightage to this factor. While it is true that the component of locally originating income is not "clearly identifiable", but surely it is bound to be larger than 10 per cent of the total assessed personal incomes in respect of at least some of the states. Therefore, consistent with the proportion of locally originating income, the weightage to the factor of contribution ought to have been higher. But it is the fear of further aggravating regional imbalances which would appear to have made the Commission assign a low weightage to this factor. Assigning weightage to the factor of relative economic backwardness, in our opinion, would have been consistent with the object of preventing aggravation of regional imbalances.

While raising the share of the factor of relative backwardness in distribution of net proceeds of Union excise duties, the Commission has changed, as was mentioned earlier, the method of determining each state's share. In its concern for not doing injustice to states just above the all-state average per capita income (as was the result under the Fifth FC formula) it has devised a formula which has benefited relatively advanced states (except Punjab) along with those whose per capita income was just above the average. Table 2 presents the percentage share of different states in Union excise duties as per the Fifth and the Sixth FC's recommendations.

It will be noticed that except Punjab, the share of all the states with relatively high per capita incomes (e g, Maharashtra, Gujarat, Tamil Nadu, West Bengal, Haryana) in Union exise duties has gone up whereas that of states with low per capita incomes (e g, Uttar Pradesh, Bihar, Rajasthan, Kerala, Orissa, Madhya Pradesh) has declined. This tilt, presumably unintended, in favour of relatively high income states could have been avoided if the weightage to the factor of 'distance' from highest per capita income could have been reduced with the narrowing of the 'distance'.

Despite these recommendations, the relative share of most of the economically backward states in the transfers by the Sixth FC has improved as compared to their share under the Fifth FC's award (see Annexure Table 1). But the emerging pattern, as was pointed out earlier, is not in conformity with relative needs as indicated by low levels of per capita income. Fragmentation of decision-making as reflected in independent determination of *inter se* distribution of each item of the divisible pool may be considered largely responsible for this. However, this may also reflect, to some extent, constraints on implementing a highly inter-regional redistributive scheme in "our complex federal system". The FC's reference to low disparity ratio between state per capita incomes in India than in other federations is significant in this regard. It is true that "even these disparities, when the absolute levels of per capita income are very low cannot be ignored" (para 18, page 8). But low absolute levels of per capita income, while justifying accent on inter-regional redistribution, imposes, in our opinion, limitations on such redistribution.[5] To put it differently, with the same degree of disparity in per capita incomes, if the absolute levels of per capita incomes were high, more active inter-regional redistribution would have been possible.

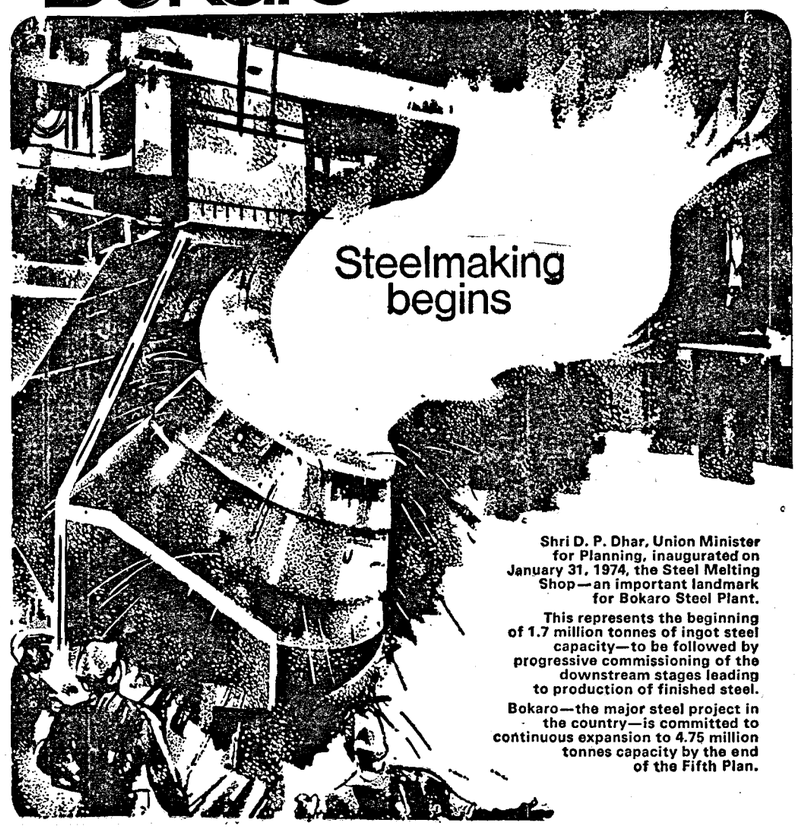
Whatever may be the arguments which weighed against adopting a more pronounced bias in favour of the backwardness factor by the FC, an evitable result of compartmentalisation of non-Plan transfers is the emergence of large surpluses in respect of some states. Thus, for instance, under the Sixth Finance Commission's award seven states (*viz*, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab and Tamil Nadu), most of which are economically advanced ones, are estimated to have non-Plan revenue surpluses (after devolution of shared taxes and grants), of the order of Rs 2,176 crores (as against surpluses of Rs 1,273 crores by 8 states under Fifth FC's award). It is true that non-Plan revenue gaps calculated for other states are to be met through grants-in-aid under Article 275 recommended by the FC, thus balancing their non-Plan revenue budgets. But availability of large surpluses considerably improves the 'own' resources position of the concerned states and thereby may confer an advantage in the matter of financing of their plans.

The extent to which the surplus states actually obtain a financial advantage is difficult to ascertain; this would depend, in the absence of a neat compartmentalisation in the area of devolution between Plan and non-Plan, on the independent assessment of non-Plan gaps by the PC. The difference between the assessment made by the two Commissions may arise on two accounts. First, in its assessment the FC adopts certain rates of growth in regard to receipts and expenditure and may raise or reduce or even disallow provisions made for certain items in states' forecasts; 'it may also assume a certain minimum return in respect of commercial undertakings in the state sector. The principles adopted by the PC may differ in one or more of these respects resulting in differences in the estimated magnitudes of non-Plan surpluses available. If, for instance, the PC projects state revenues applying low rates of growth and estimates non-Plan expenditure higher than estimated by FC and revises downward the estimated receipts from state undertakings, then the non-Plan surpluses (i e, balance from current revenues) as estimated by the PC would tend to be lower than the FC's estimate.

Secondly, there may be difference of opinion regarding treatment of a particular item as Plan or non-Plan. These differences, which mainly result in labelling a source of finance as Plan by one Commission and non-Plan by another, would not reduce (or raise) by itself the estimate of *total resources* available for the Plan. It may, however, raise a controversy regarding whether a particular item, considered to belong to the Plan category, lies within the jurisdiction of the FC. With the enlargement in the terms of reference of the Sixth FC there was widening of the area of conflict of this type.

For instance, generally an expansion in the provision of service would constitute a 'new scheme' and hence belong to the Plan category. Recommendations of the Sixth FC regarding upgradation of standards of administration in backward states would natural-

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ly involve assessment of resources on the basis of increase in administrative and social services from the existing level. In other words, the FC would step into the conventional Plan category. Likewise, any revision in tax or tariff rates is considered generally as additional resource mobilisation and hence a resource available for financing Plan expenditure. In its computation, the Sixth FC has taken credit for certain revision in water and electricity tariffs, resources accruing from which have been set off against normal expenditure. Unless, as urged by the FC, the PC revises upward the additional resource mobilisation target to accommodate the tariff revision allowed for by the FC, *ceteris paribus*, non-Plan gap of the concerned states would be higher in the PC's computation.

Again, while computing the non-Plan capital gap, receipts by way of net market borrowings are now set off against non-Plan deficits in respect of states which have overall non-Plan gaps (para 11, page 75). In its own computation of non-Plan capital gap, the FC has treated net market borrowings as Plan resource in all cases; the adoption of a similar procedure by the PC would result in enlargement of the non-Plan capital gap in its own computation. The FC has justified the practice adopted by it in this regard under the plea that net market borrowings constitute a draft on private savings and hence are available for creation of new assets. (Incidentally, the same logic has not been extended to State Provident Funds which also represent a draft on household sector savings; receipts from this source have been set off against non-Plan capital gap.)

While these conceptual differences are not irreconcilable, their significance is more than mere relabelling of items and variation in the magnitude of non-Plan gaps. An elaborate exercise conducted by the FC on the basis of thoroughly discussed norms which imply (a) restraint on growth in non-Plan expenditure within certain (not unrealistic) limits, (b) assumption of certain reasonable growth rates in revenues, (c) collection of arrears, (d) revision in tariffs, and (e) reduction in subsidies, etc, involve a certain degree of fiscal discipline on the part of all the state governments.. Recommendations of Central transfers and consequent fiscal balances envisaged in the exercise of the FC are contingent upon the observance of this discipline. Acceptance of the FC's recommendations relating to shared taxes and grants without at the same time adopting its other estimates might defeat the very purpose of the exercise and may disturb the delicate fiscal balance. Therefore, it is of the utmost importance that in regard to non-Plan account appropriate norms are evolved jointly by the PC and the FC.

A close co-ordination between Plan and non-Plan transactions is all the more important during the forecast period of the Sixth FC. The FC on its part has recognised the importance of "an appreciable increase in social consumption for eradication of poverty" during the Fifth Plan and has allowed large sums to backward states for upgrading their administrative and social services. The Commission has also assessed the requirements of different states for maintenance of capital assets on the basis of certain norms. By recommending Central transfers to meet the gap, if any, in the states' resources, the FC would appear to have attempted an equalisation of fiscal capacity consistent with given level of provision of certain administrative and social services.

However, an exercise which assesses states' need in certain areas and provides for Central transfers, if necessary, suffers from at least two limitations in both of which co-ordination with the PC is essential. First, within its terms of reference, while assessing need, the FC could not have either measured systematically the resource base (indicator of fiscal capacity) or the degree of its exploitation by different states.[6] An assessment on these lines, linking expansion in services (through higher Plan outlay) to some additional resource mobilisation effort so as to equalise "severity of taxation" would fall within the pervasive resource exercise of the PC. Unless it is ensured that the degree of taxation (in relation to tax base) in respect of 'own' sources in grant receiving states is at least equal to the all-states' average, lower level of provision of services would be more a result of choice than of paucity of resources. The observation of the FC that "even in a state like Punjab, with the highest per capita income in the country, the outlay on certain essential social services was very low in per capita terms" is significant in this context. In its own recommendation, however, the FC would appear to have assumed paucity of resources as the primary cause for low level of social services.

Another limitation in this regard is lack of any automatic mechanism to ensure that resources provided by the FC for upgradation of administrative and social services and for maintenance of capital assets are not diverted for other purposes. In respect of states which are not recommended any grants under article 275, the provision for upgradation of social services would mean earmarking a portion of revenue accruing to them for this purpose. There will not be any financial burden on the Centre on this account. In respect of states entitled to additional grants on this account, however, diversion of resources for other purposes would mean the use of Central transfers for purposes other than for which they were originally provided. Stressing the need for evolving an "effective mechanism" for preventing such diversion the Commission has proposed that provisions allowed by it for maintenance of roads, irrigation schemes and for upgrading of social services should be assessed together with outlays to be provided in this behalf during the Fifth Plan. "For purposes of regulating Central assistance for Annual Plans" it is suggested by the Commission "only the aggregate expenditure on roads in excess of the provisions allowed by us for maintenance should be reckoned as Plan expenditure qualifying for assistance" (para 6, page 67). The same procedure is suggested for other items.

It is difficult to assess the likely impact of this suggestion on the size of Plan outlays of the concerned states. Assuming that the Plan allocation for different development sectors and for different states is based on an assessment of relative need by the PC, provision for raising the level of social services in backward states would have been normally allowed by the PC during the Fifth Plan in any case. Provisions allowed by the FC in this behalf would in that case constitute Plan expenditure which would have been normally allowed by the PC. However, if the need for additional outlay in these sectors as assessed by the FC exceeds the assessment of the PC, to accommodate the FC's assessments sectoral allocations may have to be modified. Alternatively, the size of the Plan outlay for the concerned states may have to be raised to the extent of the excess.

Again, regulation of Central assistance to ensure the use of funds as envisaged by the FC is likely to prove operationally difficult. One would do well to remember that under the Fourth Plan formula of Central assistance for States Plans, (with certain exceptions)

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the share of each state was computed on the basis of certain objective criteria like population (60 per cent weightage), tax effort in relation to per capita income (10 per cent), per capita incomes below the national average (10 per cent), commitments in respect of major continuing irrigation and power schemes (10 per cent) and the balance was reserved for assisting states in tackling certain special problems like floods and the problems of chronically drought affected areas and metropolitan areas. Further, unlike the different proportions for grants and loans emerging for different states under the pre-Fourth Plan schematic pattern, under the Fourth Plan formula loans (70 per cent) and grants (30 per cent) were to be in uniform proportions. If the basic principles (may be assigning different weightages) of the Central assistance formula are followed for the Fifth Plan the share of each state in the Central assistance would be virtually determined in an automatic manner. The use of Central assistance as a regulatory mechanism may not be possible in this context. Further, unlike the part grant and part loan in the objectively determined formula for Central assistance for state plans, the funds recommended by the FC for upgrading social services, etc, are entirely in the form of grants. In the event of expenditure provided by a particular state falling short of the FC's provisions the question would arise whether Central assistance due to it under the common formula should be reduced. If so, whether this reduction should be adjusted against the grant component of the states' share in Plan assistance is another issue to be decided. If the entire amount is adjusted against grants this would reduce the relative share of backward states, particularly the grant component, in Central assistance.

These difficulties arise primarily because the Commission's recommendations introduce an element of conditional assistance in a system where Plan assistance is otherwise unconditional (in the form of block grants and loans). Providing assistance for specified services in conditional form is one way of ensuring in the use of resources for specified purposes. However, this may give rise to the charge of "encroachment" by the Centre and may create some bitterness in the process of ensuring effective check on the use of resources. Provisions for schemes for upgrading social services as Centrally sponsored schemes, which would serve the same purpose as providing conditional assistance, will suffer from more or less the same shortcomings as conditional grants. In addition, it may not be easy to confine the benefit of such schemes only to a few states and in any case would be contrary to the Commission's plea for pruning such schemes (para 25, page 8). The only hope for success of the "mechanism" thus lies in backward states seizing the opportunity offered to them by the Commission by giving them access, for the first time, to resources on a liberal scale to come up to the national average in regard to administrative and social services.

While weak in its operational aspect the proposal of the FC is noteworthy in several other respects. Under it the onus of ensuring implementation of its recommendations, at least in the area of maintenance of capital assets and upgradation of social services, is placed on the PC. A further extension of this spirit can fruitfully lead to the evolution of a system of close co-ordination between the two agencies in which the PC can act as a follow-up agency. An attempt to dovetail Plan and non-Plan programmes and generally bring all developmental activities, either in the nature of expansion of services or creation of assets, within the fold of the Plan would appear to provide the rationale of the FC's recommendations in regard to financing of relief expenditure. After allowing for a famine relief provision of Rs 50.71 crores a year (as against Rs 14.47 crores allowed by the Fifth FC), it has suggested advance preparation of schemes for permanent improvement of drought and flood prone areas. Some of these sche-

ANNEXURE TABLE 1 : FINANCIAL RELIEF UNDER THE RECOMMENDATIONS OF THE SIXTH FINANCE COMMISSION

(Rs Crores)

	Shared Taxes (1)	Grants-in-Aid (2)	Total Transfers (1+2) (3)	Debt Relief (4)	Total Financial Relief (3+4) (5)	Percentage to the Total (6)	Percentage to the Total as Per the Fifth FC's Recommendations (7)
Assam	185.09	254.53	439.62	162.49	602.11	5.2	3.7
Himachal Pradesh	43.10	160.96	204.06	34.57	238.63	2.1	0.9
Jammu and Kashmir	58.79	173.49	232.28	133.43	365.71	3.2	2.2
Manipur	13.48	114.53	128.01	15.23	143.24	1.2	0.5
Meghalaya	12.85	74.67	87.52	7.64	95.16	0.8	0.4
Nagaland	6.83	128.84	135.67	5.84	141.51	1.2	1.5
Tripura	19.69	112.50	132.19	14.35	146.54	1.3	0.6
Bihar	738.44	106.28	844.72	133.35	978.07	8.4	9.6
Madhya Pradesh	543.37	—	543.57	87.16	630.73	5.4	6.5
Rajasthan	333.39	230.53	563.92	258.14	822.06	7.1	5.0
Uttar Pradesh	1150.22	198.83	1349.05	150.77	1499.82	13.0	14.5
Andhra Pradesh	570.08	205.93	776.01	191.20	967.21	8.4	7.8
Karnataka	383.64	—	383.64	127.04	510.68	4.4	4.6
Orissa	272.59	304.73	577.32	157.32	734.64	6.3	5.4
Kerala	271.04	208.93	479.97	109.77	589.74	5.1	4.4
Tamil Nadu	538.57	—	538.57	87.05	625.62	5.4	7.0
West Bengal	588.07	234.86	822.93	143.12	966.05	8.4	8.4
Gujarat	368.64	—	368.64	36.25	404.89	3.5	4.3
Maharashtra	711.53	—	711.53	66.58	778.11	6.7	9.2
Haryana	120.66	—	120.66	33.14	153.80	1.3	1.4
Punjab	168.97	—	168.97	15.18	184.15	1.6	2.1
Total	7099.24	2509.61	9608.85	1969.62	11578.47	100.0	100.0

Note : In the above list states from Bihar downwards are listed in an ascending order of per capita income.



mes may be incorporated in the annual Plan in accordance with Plan priorities; when natural calamity strikes a state or a region thereof implementation of such schemes may be accelerated. Additional funds required and provided by the Centre for such an accelerated implementation may be adjusted against Plan assistance due to the states.

In regard to the recommendations of the Commission relating to matters on revenue account considered so far, in a majority of the items the earlier Commissions had given their awards. However, the assessment of non-Plan capital gap of the states was referred to the Commission for the first time. In the light of such an assessment the Commission was required to review the outstanding Central loans to the states advanced upto 1973-74 and "suggest changes in the existing terms of repayment having regard *inter alia* to the overall non-Plan gap of the states, their relative position and the purposes for which the loans have been utilised and the requirements of the Centre".

The revision in the terms of repayment, determined on the basis of the purpose for which loans are used, will have to be normally in a uniform manner and the benefit of this would accrue to all the states irrespective of their overall position on non-Plan account. "A measure of relief" to all the states would be in fact implicit in this (para 13, page 86). Further, it will be "grossly unfair" and would amount to "penalising prudent financial management", if relief to certain states were denied only on the ground of their having non-Plan surpluses. However, since the Commission was required to recommend rescheduling of debt taking into account the relative (financial) position of the states and their (gap) position on non-Plan account, some discrimination was inevitable.

The Commission, after examining the existing terms of loans, has generally suggested consolidation of loans and elongation of their maturity. The Commission has not generally suggested writing-off in respect of any outstanding loan (except pre-autonomy debt and some other loans) because such a course would reduce the size of the outstanding debt which "could be looked upon as a revolving fund fed by the payments due from the past beneficiaries and drawn on by those now in need" (para 24, page 9). A growing size of the revolving fund would "enable the Centre to relend the amounts so realised to states on the basis of criteria that can be revised from time to time to promote certain national priorities and to bring about a progressive reduction of regional disparities" (para 4, page 84). At the same time, to provide immediate relief to financially weaker states during the forecast period, the Commission has recommended discriminatory relief which reduces the quantum of repayments more in the case of these states than in that of the advanced ones. It has selected a few major categories of loans for this purpose.

The percentage of the amount of debt falling due for repayment during the Fifth Plan to the State Domestic Product (the average for 1967-68 to 1969-70) is treated as a measure of debt repaying capacity. States in whose case such percentage was more than 20 (Category C State) were accorded the most favourable treatment (e g, loan repayable over 25 years or moratorium in some cases), states with percentage between 10 and 20 (Category B State) were accorded less favourable treatment (e g, loans repayable over 20 years) than Category C States and states with such percentage less than 10 (Category A State) were accorded least favourable treatment (e g, loan repayable over 15 years). Aggregate debt relief received by Category A, B and C States as per the Sixth FC's recommendations is as shown in Table 3.

It may be of interest to note that not all the states with low per capita SDPs have high debt burden to state income ratios. Notably, Bihar (lowest per capita income), Madhya Pradesh (second from the bottom) and Uttar Pradesh (fourth from the bottom) had debt burden to state income ratios either lower than 10 per cent or marginally above 10 per cent (i e, Bihar).

ANNEXURE TABLE 2 : PROVISIONS ALLOWED BY THE SIXTH FINANCE COMMISSION, (1974-79)

(Rs Crores)

	Natural Calamities	Maintenance of Capital Assets					Upgradation of Administrative and Social Services
		Irrigation	Flood Protection	Buildings	Roads	Medicines and Diet	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Assam	6.25	2.55	24.85	5.25	41.11	9.12	18.02
Himachal Pradesh	0.15	1.05	0.05	4.30	14.88	3.71	—
Jammu and Kashmir	1.75	4.70	3.95	4.10	12.33	6.51	17.33
Manipur	0.20	0.15	0.30	1.40	6.52	1.05	1.10
Meghalaya	0.20	—	—	0.95	9.00	0.75	1.50
Nagaland	0.10	—	—	3.35	9.72	3.58	0.66
Tripura	0.35	1.25	0.30	2.25	4.32	2.40	2.00
Bihar	23.05	44.05	13.75	11.15	54.12	11.47	166.79
Madhya Pradesh	17.05	13.15	0.15	16.55	77.80	23.15	50.34
Rajasthan	50.95	19.45	1.95	11.20	52.20	16.47	27.43
Uttar Pradesh	10.90	108.75	7.35	17.50	99.08	33.78	290.16
Andhra Pradesh	21.55	56.05	5.30	7.75	71.61	35.85	52.62
Karnataka	9.55	33.50	—	10.85	64.43	26.86	26.45
Orissa	17.90	13.65	8.70	10.50	24.20	10.90	57.06
Kerala	1.50	10.90	0.65	9.55	34.76	28.31	6.53
Tamil Nadu	7.60	40.30	0.10	9.80	66.77	54.83	—
West Bengal	33.05	11.45	11.60	15.75	52.51	37.95	72.23
Gujarat	22.75	21.30	0.65	13.45	47.36	16.37	9.19
Maharashtra	20.85	29.50	0.10	14.70	68.07	28.22	3.63
Haryana	6.20	18.50	3.70	6.15	12.96	6.58	21.45
Punjab	1.65	30.65	8.60	8.30	14.31	8.63	13.94
Total	253.55	460.90	92.05	184.80	838.06	366.49	838.43

Note: See Annexure Table 1.

To sum up, like the other FCs, the Sixth Commission had also to provide a purpose to its scheme of devolution within a framework in which there are conflicting considerations. 'Control' over resources as judged solely from point of view of the requirements of a federal political system sharply conflicts with the requirements of national planning. In a federation with sharp differences in fiscal capacities and in the level of provision of essential services, the pursuit of regional redistribution in accordance with the assessment of needs may not be an easy task. Compartmentalisation of decision-making by dividing the area of jurisdiction between Plan and non-Plan may pose further problems.

An ideal solution, one would have thought, which avoids partition in decision-making in a scheme of resource allocation, would be to evolve an integrated scheme which takes into account (a) total availability of resources in the national pool and (b) the requirements of the Centre and the states and evolves a scheme of *inter se* distribution among the states on the basis of certain objective criteria.[7]

Such an approach would be consistent with the objective set before itself by the Sixth FC, *viz*, allocation of "national resources" at "the points where they are most needed". That there is scope for moving in this direction is indicated by the FC's reassuring observation that "despite grievances about inadequacy of resources there was a deep sense of commitment to the concept of national unity" among the states (para 5, page 6).

Perhaps the approach adopted by the Sixth FC, *viz*, devising a scheme of non-Plan resource devolution having the same overall objective as national planning was the best possible alternative in the circumstances. However, the Commission, as has been pointed out above, could have applied these criteria all along and evolved a scheme of need-based resource devolution, instead of considering each item of devolution separately. Nevertheless, the redistributive bias in the Commission's recommendations, the dovetailing of Plan and non-Plan expenditure and the attempt to reduce 'discretionary' assistance are noteworthy. But unless financial discipline in the form of realisation of revenue targets, restraining inessential expenditure, upgrading the levels of social services, improvement in the financial performance of public undertakings, etc, implicit in the Commission's recommendations, is observed the optimum return from the FC's endeavour may not be forthcoming.

Notes

1 A precise estimate of increase in shared taxes on this account is not possible but a rough estimate would indicate the order of this increase to be Rs 250 crores. This can be derived as follows. Shareable income-tax revenue as per 1973-74 Central budget explanatory memorandum was Rs 555 crores. A liberal estimate of the total for 1974-79 may be placed at Rs 3,000 crores. Five per cent of this works out to Rs 150 crores. Collections from auxiliary duties of Union excise were placed at Rs 115 crores (after taking into account revision in rates in 1973-74); for three years, *viz*, 1976-79, revenue from this source may be estimated at Rs 500 crores. Twenty per cent of this works out to Rs 100 crores.

2 This may rise further when net commitment on account of interest liabilities of states on fresh borrowings and lendings during the Fifth Plan are taken into account (para 17, page 71).

3 The manner of assigning weightage to the factor of State Domestic Product is not known. Normally one would expect a positive correlation between demand for items subject to additional excise duties and state incomes. More so because, presumably, the bulk of the revenue collections in the form of additional excise duties would be attributable to superior varieties of textiles and cigarettes/tobacco. Logically, therefore, the weightage assigned to state income should favour states with high incomes rather than low incomes.

4 Indirectly because the Commission has viewed low provision for maintenance of capital assets and low standards of social services mainly as either "causes or consequences" of low per capita incomes.

5 See author's article, "Transfer of Non-Plan Resources to States — A Suggested Approach", *Economic and Political Weekly*, June 7, 1969.

6 While it is not stated categorically, the Sixth FC would appear to endorse at least in principle the need for taking into account tax effort. But the Commission gave up the effort in this direction "on the practical consideration that the application of a formula based on relative tax effort, however designed, would place at a disadvantage some of the states faced with big gaps on non-Plan accounts" (para 3, page 52). Leaving open such a gap, (i e, assigning weightage to the tax effort), however, defensible on theoretical grounds would deprive backward states of resources required for upgrading essential services. Assigning some weightage to this factor in the Plan assistance formula would, according to the Commission, meet substantially grievances of some of the states.

7 The author had suggested such an approach earlier. See "Transfer of Non-Plan Resources: A Suggested Approach", *Economic and Political Weekly*, March 7, 1969.

Indian Aluminium

INDIAN ALUMINIUM is making an issue of 31,90,477 equity shares of Rs 10 each at a premium of Rs 11 per share. Out of these, 12,42,132 shares have been offered for subscription to existing Indian shareholders as 'rights' on a one-for-five basis. The remaining 19,48,345 shares are being offered through a prospectus. Out of these, 3,89,670 shares have been reserved for allotment to UTI and LIC and one lakh shares for allotment to Indian employees of the company, leaving a balance of 14,58,675 shares for public subscription. The subscription list will open on January 29 and close on February 8 or earlier, but not earlier than January 31. Indal is a subsidiary of Alcan Aluminium of Canada which at present holds 65 per cent of the Indian company's equity capital. After the present issue, Alcan's shareholding will decrease to 55 per cent. The object of the present issue is to provide a portion of the funds required for the new Belgaum smelter project, involving increase in the licensed capacity from 40,000 to 60,000 tonnes per annum plus related additions to the alumina and bauxite production facilities. Indal has a good record of earnings and dividends. Keshub Mahindra, chairman, is confident that the company will be able at least to maintain the present rate of dividend on the enhanced capital.

Phillips Carbon Black

PHILLIPS CARBON BLACK is promoting a new company with the object of setting up a plant in UP for manufacture of carbon black and allied products. It proposes to invest upto Rs 40 lakhs in its equity capital. It is also participating in another new company being established in Gujarat for the manufacture of carbon black under the aegis of the Gujarat government. Investment proposed to be made in this company will be upto Rs 32 lakhs.

Conflict of Social and Individual Objectives in Peasant Farming in Asia and Alternative Strategies of Agricultural Development

N K Sarkar

Starting from the finding of recent sample surveys of Asian agriculture that gross output per acre declines at first and then rises again as farm size increases, an attempt is made in this paper, first, to build up a theory of social conflict generated by recent technological innovations in agriculture and then to develop a strategy of agricultural development in Asia which would minimise that conflict and cause the least dislocation and human suffering.

ONE of the basic findings of recent sample surveys of agriculture in the Asian countries is that the gross output per acre declines at first and then rises again as farm-size increases.[1] Starting from this finding, an attempt is made in this paper first to build up a theory of social conflict generated by recent technological innovations in agriculture and then to develop a strategy of agricultural development in Asia which would minimise that conflict and cause the least dislocation and human suffering.

Relationship between Farm-Size and Output

In Table 1, we illustrate with hypothetical figures the relationship between farm-size and costs and returns. Let us assume that a village has under a given technique 1,200 acres of cultivable land of equal productivity: Production can be carried on in this village by dividing the land into 1,200 farms each of one acre, 600 farms each of 2 acres, 400 farms each of 3 acres or, 300 farms each of 4 acres, and so on. What farm-size would be *ideal* under the given technique and factor and output price situation? We shall presently see that the answer will differ according to whether we are defining 'ideal' to mean 'maximum revenue for the farmer', or 'maximum output for society as a whole'.

By taking in more land on lease, the peasant-farmer can increase the size of his farm. Similarly, he can reduce the size by leasing out some of his own land. He will thus try to optimise the size of his farm so that his objective of maximum net aggregate return from the farm is satisfied. His costs, which he will have to deduct from the gross return to arrive at the net aggregate revenue, will consist of expenditures on the following:

(a) imported material inputs requiring expenditure of foreign exchange;
(b) domestically produced material inputs;
(c) rent on leased land;
(d) interest on borrowed capital;
(e) wages on hired labour;
(f) transport, storage and other services.

The peasant-family owns a certain amount of land and capital and can provide the labour of its own members. On these items it does not have to pay to outsiders, and the cost is internal to the family. The peasant's net aggregate revenue, therefore, includes not only profits but also payments for factors that the peasant-farmer and his family members themselves supply. We will assume that the peasant-family owns 2 acres which the peasant can cultivate by using his own resources. The only purchases he has to make from outside are some chemical fertilisers, pesticides, some implements and tools, and improved seeds.

Assuming the technique used in all the farms is the same, the rate of expenditure on material inputs can be taken to remain constant per acre irrespective of farm-size. For the other cost items which the peasant has to buy or hire, we will assume declining cost at first as the farm-size increases followed by rising cost. (Our conclusion will need only slight modification if we assume constant cost instead.) The total costs for farms of different sizes are shown in Column 6 of Table 1, and the net aggregate return or output is shown in Column 8. It will be seen from this column that the net aggate output of the farmer is maximised if his farm-size is 9 acres.

The farmer will try to achieve this size under the given factor supply conditions, by leasing in more land if his own land is less than this optimum size, and by leasing out some of his own land if it exceeds this size.

In actual practice, of course, the peasant-families may not attain this optimum size, owing to changes in prices and supply conditions, miscalculation, ignorance, or change in the technique of production. But there will exist a tendency towards attaining the optimum size; that is, the farmers through their experience over the years will try to achieve this size as far as conditions and circumstances permit them to do so.

Social Costs

From the point of view of society as a whole, the costs paid for the domestically produced material inputs, rent, interest, and wages for hired labour, are internal payments from one group of citizens to another; they do not, therefore, represent any national cost. (There will be a social cost, if such transactions lead to increase in inequality or unemployment, which we will ignore for the time being.) The only cost, which is a national cost, is the payment made to foreigners for imported, material inputs. Assume that the cost of imported material inputs is Baht 1,000 per acre. The net aggregate national output will then be obtained by subtracting these costs from the gross output as shown in Column 5 of Table 2. In Column 6 of this Table, we show the total net national output which will be produced if the total land area of 1,200 acres is divided into farms of different sizes. It will be seen from this column that, from the social point of view, the most desirable farm-size is the 3-acre farm. If the 1,200 acres of land are divided into 400 farms, each of three acres, then the total net national output obtained by the community will be Baht 82,000; whereas, if it is divided into 133 farms of approximately 9 acres each, then the net output obtained will be Baht 68,230.

Thus, the individual farmer's objective will diverge from the social objective: the individual will satisfy his objective of maximising his net gain by cultivating farms of 9-acre size. But the social objective, of obtaining highest

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TABLE 1: INPUT:OUTPUT IN PEASANT FARMS BY SIZE OF FARMS

Size of Farm (1)	Marg Gross Rev (2)	Total Rev (Gross) Per Farm (3)	Aveg Gross Rev (per acre) (4)	Marginal Costs of Farm (5)	Total Costs Per Farm (6)	Aveg Cost Per Acre (7)	Net Revenue Per Farm (8)
1	7.60	7.60	7.60	2.00	2.00	2.00	5.00
2	7.90	15.50	7.75	2.00	4.00	2.00	11.50
3	8.00	23.50	7.83	4.80	8.80	2.93	14.70
4	7.70	31.20	7.80	4.50	13.30	3.32	17.90
5	7.20	38.40	7.68	4.40	17.70	3.54	20.70
6	6.60	45.00	7.50	4.20	21.90	3.65	23.10
7	5.80	50.80	7.26	4.00	25.90	3.70	24.90
8	5.20	56.00	7.00	3.90	29.80	3.73	26.20
9	4.30	60.30	6.70	4.30	34.10	3.79	26.20
10	3.30	63.60	6.36	4.50	38.60	3.86	25.00
11	2.40	66.00	6.00	4.90	43.50	3.95	22.50
12	1.20	67.20	5.60	5.30	48.80	4.07	18.40

Col (2) = Assumed values
Col (3) = Obtained by accumulating the values in Col (2)
Col (4) = Col (3) / Col (1)
Col (5) = Assumed values
Col (6) = Obtained by accumulating the values in Col (5)
Col (7) = Col (6) / Col (1)
Col (8) = Col (3) — Col (6)

output net of foreign exchange expenditure, will be satisfied by keeping the farm-size limited to 3 acres. Only accidentally could the cost-structure be such that the farm-size that yields maximum output is identical with the farm-size that gives maximum private gain.

RESOLUTION OF THE CONFLICT

One method to resolve the conflict is to impose a ceiling on the farm-size. Under the cost and output conditions a 3-acre ceiling will maximise the social objective, though there will be a constant pressure from the farmers for a higher operational landholding because it will be profitable for them to cultivate more land.

An alternative to imposition of land-ceiling is a steep increase in the costs steeply for farmers who wish to cultivate farms larger than the social optimum point. Thus, if the interest charges, wages, or price of material inputs, are steeply increased for those who want to cultivate land beyond the optimum level, the individual optimum may be pushed back closer to the social optimum.

IMPROVED TECHNOLOGY

So far, we have assumed fixed technology. Let us now relax this assumption and see how our conclusions have to be modified. The new technology will increase the productivity of land, so that the marginal gross revenue curve will be pushed up to a higher position. Now the peak position of this curve may be shifted to the right, or to the left, or remain where it was depending on the input-combination required by the new technology and the relative availability and prices of inputs.

Let us first take the case where the optimum farm-size remains the same, i e, 3 acres. If costs remain the same, there will be a rise in farm-income and, therefore, a greater demand for leasing in of land as well as for other inputs. The costs will therefore rise and if there were unemployed men employment will rise; otherwise, wages would increase. There will thus be an all-round prosperity in agriculture. Some of the factor-owners may gain more than the others, depending on the relative factor supply; and this differential may generate some social tension. Thus, owners of land may increase rent far more than proportionately to the increase in prices of the other factors. This change in the relative shares of the cake may cause social tension; but so long as the cake is increasing in size, everybody's share can yet be increased and resolution of the conflict is not impossible.

The second case is when the maximum-output farm shifts on the curve to the left and becomes smaller in size due to technological innovation. This may happen when a very large quantity of inputs is needed per acre of land. The resource availability in this case is such that only small farms can be provided with the required quantities of inputs, so that the yield response is highest in them.

The third case is where the maximum-output farm is shifted to the right on the curve and becomes larger in size. If the shift is very significant, it may happen that the marginal cost curves may cut the marginal gross revenue curve at a point before the maximum-output farm size is reached. In this case, the market situation will be such that the individual farmer will maximise his aggregate net revenue by cultivating a farm of much smaller size than the social objective requires.

In this case, it is obvious that the policy should be to increase the size of the small farms upto the optimum level and to reduce the cost of the factor inputs, such as rent, interest, wages, and to subsidise the price of material inputs.

There is reason to believe that, in most of the Asian countries, where population pressure is very heavy on land and the demand for inputs and for land is very high while the supply of inputs is controlled by monopolistic conditions, the cost of inputs rises too high to permit operation of farms at the maximum output level even under traditional technology. The problem has become much more acute under the new technology, associated with the high-yielding varieties of grain, which is very demanding on the inputs. Through land reform the cost due to rent can be eliminated, and by instituting rural banking facilities the interest rate can be brought down. Machinery and animals, which add to the working power of the farmer's family, will similarly induce him to increase the size of his farm to the optimum level.

BI-MODAL FARM-SIZE

It is possible that the introduction of the new technology has generated not one maximum yielding farm-size but two. The peasant-farmer because of his limited resources may be able to attain the highest per-acre yield in small farms, while the capitalist-farmer may be able to attain the maximum yield with a much larger size because of his command over larger volume of resources. Support for this hypothesis is available from the data presented for the Philippines. The gross yield per acre seen in these data tend to decline at first but to rise when the farm-size is

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TABLE 2: NET NATIONAL REVENUE OF DIFFERENT FARM-SIZE

Size of Farm (1)	Number of Farms (2)	Cost of Foreign Exchange Per Farm (3)	Gross Output Per Farm (4)	Net Output Per Farm (5)	Net Output of All Farms Given Size Class (6)	Output in Thousand Bahts
1	1200	7.00	7.60	6.60	79.20	Col (2)= 1200 / Col (1)
2	600	2.00	15.50	13.50	81.00	
3	400	3.00	23.50	20.50	82.00	Col (3)= Col (1)× 1,000
4	300	4.00	31.20	27.20	81.60	
5	240	5.00	38.40	33.40	80.16	Col(4)= Same as Col (3) of Table 1
6	200	6.00	45.00	39.00	78.00	
7	171	7.00	50.80	43.80	74.80	
8	150	8.00	56.00	48.00	72.00	Col (5)= Col (4) — Col (3)
9	133	9.00	60.30	51.30	68.23	
10	120	10.00	63.60	53.60	64.32	Col (6)= Col (5)× Col (2)
11	109	11.00	66.00	55.00	59.95	
12	100	12.00	67.20	55.20	55.20	

further increased. This suggests that the larger capitalistic farm in grain production is making its appearance in Asia as well.

The bi-modal maximum-output farm-sizes are the consequence of the introduction of technological innovations — such as represented by the Green Revolution — into an agrarian system with markedly skew land and wealth distribution. Given such unequal distribution of resources, the small peasant-farmers can increase their output by concentrating the application of their own capital and family labour into a small area of land. In view of the very heavy demand on capital and labour resources made by the Green Revolution technology, the peasant-farmer can apply the required proportion of labour and capital that he has at his disposal only on a small acreage. The peak of the marginal output curve thus shifts to the left, to a smaller farm-size. The large capitalist-farmer, on the other hand, with his command over a large volume of resources can cultivate large areas using the Green Revolution technology — employing tractors, machinery and modern equipment whenever it is profitable to do so, in substitution of human labour and animals. Thus, a new maximum-output farm-size develops, with much larger land area. The total land available being limited, these larger capitalistic farms enter into severe competition with the small peasant-farms, for the land. For, the larger the size of these farms, the better can they use the machinery and equipment, reducing the unit cost and squeezing the peasant-farmer more and more, till he is forced to quit by selling the land to the gentleman farmer or is ejected on some pretext or other.[2]

The destruction of peasant farms by big capitalistic farms (of gentlemen farmers) is a well known story in the history of development, both in England in the sixteenth and seventeenth centuries and in the US in the nineteenth century. The ruthless uprooting of the peasant families and the take-over of their land by capitalist gentlemen farmers has been immortalised in literature. With the introduction of the high-yielding varieties and the new technology, the peasant farming system is coming under heavy pressure in Asia. However, the political consciousness of the peasants in Asia today can be much more developed than that of the peasants of England and America in earlier times. It is unlikely, therefore, that the Asian peasants will allow themselves to be uprooted and thrown into the urban pit to suffer decay and death without protest.

The bitter struggle between the rural poor and the new rich which is engulfing the rural population of Asia in ever-increasing proportions, is rapidly destroying the tranquillity of a very ancient and tradition-bound society. The traditional religious and social values which established customary social relationships between classes and groups, by imposing moral restraint on each, and so helped the Asian societies to remain in a stable and stagnant state over several milleniums, are dissolving under pressure of the profit maximisation motivation of the capitalist-farmer. These values, which held the Asian societies together for centuries, started to dissolve under pressure of competition and production for the market. The introduction of the Green Revolution has accentuated the process and sharpened the conflicts between the different interest groups.

If no measures are taken, there is little doubt that these conflicts will take more and more violent forms. Social conflicts which are caused by such fundamental divergence in basic economic interests can not but be reflected in the political developments of the countries. Democracies can hardly be a reality in such disturbed and warring societies. Dictatorships also are bound to change hands in succession as they get discredited by their failure to establish basic solutions to the contradictions and conflicts let loose by the new technology.

In fact, the contradictions and conflicts thrown up by the Green Revolution are so intractable because the gentlemen farmers, operating their large farms, do not necessarily have a significant technological advantage over the peasant-farmers — as is shown by the existence of the bi-modal maximum-output farm-sizes under the new technology. The small farmer has about equal chance of competing with the large farmer in production — provided the State power is not thrown in favour of the latter. Under a democratic system, the small peasants are likely to vote for political parties which can assure them land and credit in which matters they are at a disadvantage compared to the larger farmers. Under dictatorships, which are based on large farmers' support, the small farmers have no alternative but to take resort to subversive methods, or to suffer gradual loss of status and join the rural or city proletariat.

MINIMISATION OF SOCIAL CONFLICT

While the bi-modal maximum farm-sizes generate social conflict, they do provide at the same time a way of resolving the contradiction — if one looks at the development in a historical perspective. Unfortunately, the choices as posed by theorists have been jumbled up in historical sequence. Thus choices have been posed between 'growth *versus* employment', or 'tractorisation *versus* employment', etc. Presented in this fashion, the problem of choice between tractorisation and employment becomes insoluble, because the former adds to productive capacity and development thus generating employment capability, and is therefore as worthwhile an objective as direct employment generation. The employment objective, on the other hand, is an immediately beneficial objective though it may, if not properly planned, lead to the reduction of future employment capability of society. Choice or trade-off between these objectives, therefore, presents a difficult problem. Such problem-formulation is also largely sterile.

Despite this sterility, these questions continue to be asked and debated upon,

because of the political implications that are hidden under the economic verbiage that is actually used. Tractorisation, for example, would imply a larger surplus in agriculture leading to availability of larger domestic capital fund for industrial development and generation of self-sustained growth, while emphasis on employment generation would mean slowing down of the growth process and perpetuation of economic dependence and colonial status of developing economies. It would also mean defusing the revolutionary struggle and perpetuation of the *status quo*. It is possible that the battle between these alternative economic development policies are fought for the related political goals. The social costs of technological advance can be minimised by introducing higher technology into Asian agriculture in several sequential phases, as outlined below:

Phase 1: Land Reform

In this phase, priority has to be given to the smaller of the maximum-output farm size modes. The first task would be to increase the size of the sub-optimum sized farms to the optimum level by taking land away from the large-sized farms through land reform measures. Land reform which can increase the number of optimum-sized farms would not only reduce inequality and increase employment, it would at the same time add to the growth potential of the country. By increasing the size of the sub-optimum farms to the optimum level, the output would rise and thus create a saving potential. Thus, if land reform succeeds in increasing the number of socially optimum-sized farms by reducing the size of the larger farms and by increasing the size of the smaller farms, then through this measure alone and without increasing any input and investment, the initial capital may be generated for triggering off the growth process.

The growth of the larger optimum modes must be discouraged in this phase. For, if policy measures are adopted in this phase to encourage the larger modes, then forces will be released in society which will be destructive of the smaller modes and so nullify the benefits of land reform. Subsidising of tractors and other heavy farming machinery, or cheaper credit to large farms must therefore be discouraged at this stage. Not only that, but strong disabilities must be placed on them by imposing higher taxation, higher minimum wages, and higher interest charges, etc.

The effort to fix land ceilings in India would appear to be a move in the right direction from the point of view of this strategy. What is important, however, is not merely a legal fixation of the ceiling but the implementation of the ceiling law. It has become abundantly clear from the way the ceiling laws have been evaded in India, that the ordinary administrative machinery is altogether incapable of enforcing the law. Enforcement from above by administrative officers is most likely to fail. Because of their social background, class loyalty, upbringing, schooling, and method of selection into the bureaucracy, the majority of bureaucrats will have an emotional resistance to such policies. Those few who are sincere in their support of land reform will find it difficult to detect all the loopholes of evasion because of their ignorance of the local conditions.

The only way that land ceiling laws can have a chance of being implemented, is if the villagers themselves are given the capability and consciousness to do so. For, the majority of them being small and middle farmers, they have a stake in implementing the ceiling law, and, being familiar with local conditions and the family disposition of the rich farmers, they are much better placed to detect cases of evasion. Thirdly, the quality of the land and the optimum size of farms in the village are best known to the villagers, so that the redistribution of land after the reform could be done in the most efficient and just manner by the villagers themselves — better, too, than government administrators coming from outside could do.

This would require the creation all over the country of Land Reform Village Committees. It will be necessary to give an intensive training to these Committee members for proper understanding of the objectives and methods of implementing the land reform programme. This in turn would require the setting up of land reform departments at the state and Central government levels, with suitably selected and trained cadres.

These village committees must be given sufficient administrative powers so that they may act with sufficient authority and in a responsible manner. Occasions when a land reform scheme, developed by these committees for a village, is questioned and altered should be very rare.

For successful working, it will be necessary to exclude the rich farmers from the membership of these committees. For, if they are allowed to enter these committees, the entire programme will be exposed to the danger of being sabotaged. The committees should not only decide who should give up how much land and who should receive which plots, it must also decide how much compensation should be paid to those who give up land. The payment of compensation would not present any difficulty. We have based the entire scheme on the assumption that the market forces tend to establish farm sizes which are different from the optimum. By establishing farms of the optimum size through land redistribution, the output of agriculture will be increased. Those who receive the land should not, therefore, find it difficult to pay for their increased income the price of their newly acquired land in 10 or 15 instalments.

For mobilising the rural savings, generated through land reform, it may be desirable not to pay the price of the land to their former owners in cash but rather in bonds carrying a certain rate of interest. At the same time, arrangements should be made when the land awards are made to impose a tax on the land which should equal the normal economic rent of the land. If these measures are adopted effectively, land reform will act not only as a measure of ensuring social justice and greater employment, but also as a trigger for the process of self-sustained growth by generating surpluses in agriculture and by mobilising these surpluses for further investment.

However, it would be idle to expect that land reform can be achieved without generating any social conflict. What we are suggesting, on the contrary, is the introduction of social conflict in a controlled and purposive manner so that the chaotic and destructive social conflicts that are being generated today consequent to the introduction of the new techniques, and the social upheavals and the consequent human suffering that they are causing, may be replaced by a more orderly and organised transformation of society.

Provision of Credit

The small farmers may obtain land through land reform; yet, without credit, he will not be able to cultivate the land well enough to maximise the output. Since the landlord, the village moneylender, and the merchant have been the major sources of his credit, land reform is likely to scare all of them away and so dry up his sources of credit. Unless an alternative source of credit is provided along with land reform, therefore, more harm than good will be done to agricultural production by land reform.

This alternative source could have been the rural co-operative credit societies. Unfortunately, in most countries of Asia, they have been mismanaged and have become dormant. The few which are active and are functioning well, are generally found to have been captured by moneylenders who use it to augment their own capital by borrowing from them at cheaper rate. The Indian government's policy of encouraging commercial banks to open rural branches may provide an effective alternative. The banks may work in close collaboration with the Land Reform Committees, the latter becoming the guarantor of loans for the farmers.

With land reform, some degree of equality would be established in rural societies, so that it will become difficult for the rural rich to exploit the poor. The co-operatives will have a much greater chance of success in the comparatively egalitarian society. Though land may be cultivated by individual farming families, co-operative effort can be developed successfully in many areas to overcome limitations of scale. For example, in marketing, storing, transportation and purchases, co-operative societies could achieve much greater efficiency of operation — by working on a larger scale through pooling of individual resources and by specialising in certain operations. Even many farming operations can be carried out more efficiently by joint operation. Hence, once the land reform programme is completed, the Land Reform Committees may direct their attention to developing co-operatives in as many fields as possible.

Particular effort will have to be directed towards developing rural industries, not only as an avenue of employment and as a source of supplementary income for the rural poor, but as a method of integrating village life and of stemming the tide towards emigration to urban areas.

Phase II: Co-operative Farming

The growth potentiality of land reform is not large and is likely to get exhausted soon. This is because much of the modern high-productivity machinery, equipment and methods of cultivation require larger farm-size for fullest utilisation. For example, farm sizes of four or five acres may be too small even for an electric tubewell or pump-set. Once the saving potential generated by land reform is fully utilised and the savings are mobilised for improving the capital stock and the technical co-efficient of the farms, there will be need for increasing the size of the farms if further progress is to be achieved. At this stage, a programme of land consolidation, through development of co-operative farms, will be the appropriate strategy.

The seeds of co-operation would have been sown already by the Land Reform Committees for marketing, purchasing, industrial production, development of rural infrastructure, irrigation facilities, and common land development projects. The villagers, therefore, would have knowledge of the technique and would not find its extension to farming too novel or unacceptable. Nevertheless, it may be desirable to proceed cautiously and to introduce common farming in gradual stages. Thus, in the first stage, only labour may be shared on a common basis, each farmer contributing to to the common labour-gang according to the land area of his farm. Gradually, the farmer may be persuaded to contribute his land also to the common pool, the net output being distributed according to the land share, taking due account of the quality of the land. This type of land consolidation can be successful, however, if at each stage the capital intensity of the farming process can be increased so as to add significantly to the yield. For example, the farmers will be more willing to join the common land-pool, if they can thereby obtain an electric tubewell to irrigate their land and thus add considerably to their output. It is clear, therefore, that co-operative farms can be introduced only after the country has reached a sufficiently developed industrial stage where the necessary agricultural machinery and equipment can be supplied to the farmers for bringing about the technological upliftment of agriculture. It is at this stage that tractors and other heavy equipment may be thought of, not earlier.

Conclusion

In summary, what we are advocating is avoidance of the direct introduction of the technological revolution in agriculture by large capitalistic farms. We are advocating that we proceed in stages *via* land reform; small farms, and thence to larger co-operative farms, altogether avoiding capitalist farming at any stage. The former method under present-day conditions in Asia would lead to serious social dislocation, discontent, subversion, civil war, and untold human suffering. In fact, such development strategy carries within it the seeds of international war. The alternative of land reform, and the development of small farms culminating in formation of co-operative farms, we claim, minimises the social costs of the technological transformation of Asian agriculture. It requires, however, supreme organisational effort and far-sighted political leadership. One does not see such leadership yet on the Asian horizon.

Notes

[The views expressed in this paper are the personal views of the author.]

1 For statistical evidence see N K Sarkar and S Tambiah "Disintegrating Village"; Ceylon University Press, 1957, p 46 for Ceylon; Anthony C Koo, "The Role of Land Reform in Economic Development", Frederick A Praeger, New York, 1968, p 166, for Taiwan; P V John, "Some Aspects of the Structure of Indian Agricultural Economy, 1947-48 to 1961-62", Asia Publishing House, London, 1968, pp 289-94, for India.

2 Such situations are a common occurrence in Asia today: "The common parlance, the influential rich who acquired intensive real estate along the Friendship Highway are called 'millionaire farmers'. They are a new type of 'farmers' — some from the past or present cabinet, some ex-politicians, businessmen, bankers, high-ranking government officials, powerful generals of the armed forces.

"What happened to those who owned land in Pakchong before the 'big boys' cut in? They did not have much choice — either they became employees of the millionaire farmers or had to move deep into the jungle to acquire some land to cultivate for themselves.

"But those who destroyed the forests were arrested and jailed in accordance with the law". (Wirasak Salayakanond, 'The Growing Colonies of Bangkok', in *Nation*, March 13, 1973, Bangkok.)

"The villagers, who came from eight villages of Tambon Dan Thaptako, said they would lose their land to four capitalists from Tha Maka District of Kanchanaburi Province. The capitalists have allegedly obtained concessions from the Forestry Department.

"Under the concession, the villagers would be required to plant all acacia trees; the capitalists were the sole dealers providing villagers with modern equipment" they said.

"Those who refused to plant the trees are threatened with a fine of 50 baht per rai", they said.

"This is unfair, since most of us have been living in the area for 20 to 30 years and have grown trees and fruits in the area", they said. *Bangkok Post*, Tuesday, March 13, 1973.

MADRAS REFINERIES LIMITED

Speech of the Chairman, Mr. M. Rama Brahmam, at the Seventh Annual General Meeting held at Madras on 21-12-1973.

Gentlemen:

I welcome you to the Seventh Annual General Meeting of your Company.

The audited statement of accounts for the year ended June 30, 1973 together with the reports of the Directors and Company Auditor are already in your hands and I shall take them as read.

PHYSICAL PERFORMANCE

During the second successive year, the Refinery operated at about the installed capacity despite the fact that there was a major plant turnaround lasting over 22 days. This was carried out after 21 months from the last turnaround in 1971. During this shutdown besides routine maintenance and repair work plant debottlenecking and modifications were also carried out to improve capacity and efficiency. As a result of these improvements a monthly record crude throughput of 247,177 tonnes was achieved in October 1973. The refinery fuel consumption was reduced by over 10% which is a significant achievement in the context of energy crisis and need for its conservation. This amounts to cost saving of Rs. 75 lakhs per year at the current crude oil prices. There have been substantial increases over the previous year in the yields of high valued products such as Cooking Gas by 40%, Motor Spirit by 14.5%, Aviation Turbine Fuel by 23.5%, Light Diesel Oil by 37.8% and Lube Base Stocks by 12.3%, due to partial effect of the above modifications. The full year effect will be felt in 1973-74 operations.

FINANCIAL RESULTS

The total value of sales of products has gone up by 19% to Rs. 6587 lakhs during the year as compared to Rs. 5543 lakhs in 1971-72. The f.o.b. Kharg price of Darius crude had also increased progressively by over 30% to $ 2.51 from $ 1.92 per barrel to an average of $ 2.08 per barrel during the year. The product prices fixed by the Government of India up to June 10, 1973 could neutralise the crude price increase up to $ 1.48 per barrel and thereafter up to $ 1.88.

The average freight rate per Tonne of crude transport has come down by 27.5% to Rs. 17.87 from Rs. 24.71 in 1971-72 due to utilisation of the Shipping Corporation's super tankers (87,000 dwt) "Jawaharlal Nehru" and "Lal Bahadur Sastri" for a period of about 9 months from February to October 1973.

During the year your Company had repaid a loan of $ 1.86 million to foreign lending institutions and Rs. 225 lakhs to the Government of India. The outstanding Dollar and Rupee loans as on June 30, 1973, i.e. after 4 years of operation, stood at $ 10.02 million out of $ 22.32 million and Rs. 1061.8 lakhs out of Rs. 2025.3 lakhs total loan.

The net profit for the year was Rs. 570 lakhs showing an increase of 11% over previous year's profit of Rs. 513 lakhs. After providing Rs. 523 lakhs for development rebate reserve and making adjustments relating to prior years, your Directors have recommended a Dividend of 12% gross amounting to Rs. 154.5 lakhs for the year 1972-73. As you may recall your Company declared a Dividend of 9% for the previous year. It may be mentioned here that your Company paid an Excise duty amounting to Rs. 21.56 crores to the Central Government and an amount of Rs. 7.96 crores towards Sales Tax on the sale of products. This totals up to Rs. 315.44 crores paid to Central and State exchequers during the last four years.

INDIGENOUS SUBSTITUTION

The developmental work on the new high valued products such as Rubber Processing and Extender oils, Ink oil and Axle oil is progressing satisfactorily and some products have found consumer acceptance after plant trials. The Axle oil trials on railway wagons are in progress. This import substitution will save Rs. 3.5 crores annually in foreign exchange and substantially improve the profit position of your Company. In the area of indigenous substitution and development of ancilliary industries, your Company gave good fillip to the local manufacturers. The spares and equipment which, amongst others, included tower internals and trays, furnace hangers, exchangers, pumps, gaskets, valves etc. worth Rs. 27 lakhs were procured.

POWER CRISIS

You will be pleased to note that during the critical period during 1973 of acute power shortage, the refinery generated additional power and supplied almost 4 million units to the State's grid. The Refinery had also maximised the production of Diesel oil at that time to meet the sudden increased demand for the diesel-generating sets installed due to power shortage.

PORT FACILITIES

It is a matter of great satisfaction to your Company that in February 1973, the long awaited oil jetty at Bharati Dock at Madras Port was opened for berthing 42 ft. draft vessels during January-October period of each year. This made it possible to transport crude oil using Shipping Corporation of India's super tanker at a considerable freight savings to your Company. It is hoped that the Port facilities will be further improved to 46 ft. draft required by the SCI's tankers, fully laden and to make it usable all the year round.

PERSONNEL DEVELOPMENT

In the area of Personnel Development and Training programmes, your Company has done well to expose a section of its supervisors to an intensive course on "Laboratory for Achievement Motivation" by the Behavioral Science Centre. As a part of the Technical Assistance to a neighbouring country, two senior tehchnical personnel of your Company continued to assist in the operation and training of the personnel of the Ceylon Petroleum Corporation for the second year. Two engineers were sent to our Collaborators abroad—one to United States for advance training in Process Engineering Design and another to Iran for studying Oil loss Control and Prevention techniques. Your Company had also actively participated in the United Nations Inter Regional Seminar on Petroleum Refining in developing countries in January 1973.

INDUSTRIAL RELATIONS

During the year a scheme for advancing loans to the employees on easy terms towards construction of their own houses was launched and a Welfare Fund was constituted. The Canteen facilities were improved and prices maintained inspite of considerable increases in food prices. The Company made an *exgratia* payment of 20% to its employees. The Employees' Union continued to have effective leadership from within. The employee relations remained cordial.

SAFETY

I am happy to note that your company has completed the first million man-hours safe operation without any lost time accident, and earned the Merit Award from the National Safety council of the U. S. A. This was possible with the active co-operation of all the employees. Individual and group awards were given on completion of safety targets.



The first Safety Audit of the plant was successfully carried out with the assistance of two safety experts from the collaborators in order to assess oparational and design deficiencies from the safety standpoint.

OUTLOOK

Before I conclude, I must admit that despite excellent operational performance, your Company may have difficulty in remaining above water for much longer in the context of sky-rocketting of crude prices. Although the crude oil supplies are assured to your Company, it is anybody's guess as to what level these crude prices will finally settle down. The Government of India will be sending a delegation to Tehran to negotiate crude oil price. I am hopeful that this problem will be resolved satisfactorily.

In the end, I offer my sincere thanks to all my colleagues on the Board and in particular to the Government of India, National Iranian Oil Company and Amoco India for their cooperation and assistance. I take this opportunity to extend my appreciation to all employees who have given their best to sustain progress of your Company. I am confident that their sense of dedicated team work will continue so that your Company can face successfully the difficult times ahead.

With these remarks, I now propose that the Directors' Report and the Accounts be adopted

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

Indian Oxygen Limited

Statement of the Chairman, Mr A K Sen

THE following is the statement of Mr A K Sen, Chairman, Indian Oxygen Limited, which has been circulated to the shareholders along with the Company's Report for the year ended 30 September 1973.

A review of the Company's performance during the year to September 1973 calls for a brief reference to the environment in which it operated. Regrettably this was difficult and disappointing from the point of view of the economy. Agricultural production, still the main pillar of our economic structure, was severely affected by drought in many parts of the country. This resulted not only in a decline in the output of foodgrains and commercial crops but had other far-reaching repercussions on the economy. Much of the power supply of the country being based on hydel stations, the drop in the water level led to an acute power crisis in several States : this further accentuated the severe power shortage which had been developing in the country during the recent past due to a number of factors. The need for fairly large food imports caused a severe strain on the country's foreign exchange resources. Most alarming of all was the inflationary pressure that was generated. This, unfortunately, still continues and is having an adverse effect on many spheres of the national economy, including industrial production.

Industrial production during the year recorded a very poor rate of growth because of several problems of a more chronic nature, apart from the factors flowing from the decline in agricultural output. Shortages of many vital industrial inputs and raw materials persisted. The net inflow of foreign assistance registered a sharp drop and a favourable atmosphere for rapid industrial growth continued to elude the country.

In the political field, even if conditions were unsettled in certain parts of the country and Andhra Pradesh, Uttar Pradesh and Orissa had to be placed under President's Rule, the stability established after the elections in 1971 and 1972 was maintained. This has prevented any deterioration in the law and order situation despite the stresses and strains of a stagnant economy. It also gives rise to the hope that the uncertainty and ambiguities in Government policies will be removed and the decision making machinery at Government level will be streamlined and made more effective.

Sales

There was an acute shortage of calcium carbide from June 1973 — which still persists — compelling a cut in the production of dissolved acetylene. The availability of electrode quality wire rods was inadequate until July 1973 when some imported steel was received; however, a curb on production still remains necessary in view of the unsatisfactory steel availability during the current financial year. Power cuts and frequent interruptions in power supply prevented production of oxygen, nitrogen and argon at the required levels throughout the year under review, although there was some improvement in the situation from July 1973. Nevertheless, the Company's turnover for the year at Rs 25.66 crores exceeded the previous year's turnover (Rs 23.63 crores) by 8½ per cent. A major contribution towards this increase was made by the Company's new plant manufacturing activity, which got into its stride during the year : the sales of gas and electric welding equipment also registered significant improvements. The sales of other products were generally maintained, notwithstanding the severe constraints on production already mentioned.

Export sales were higher than the previous year and would have been still better if certain shipments were not delayed by labour unrest at the Calcutta Port in September 1973.

Profit, Taxation and Dividend

The profit for the year, after providing depreciation of Rs 87,93,000 (previous year Rs 78,14,000) amounted to Rs 2,75,08,241 as against Rs 2,50,54,305 last year. The increase in profit was mainly due to a rise in sales and savings in interest charges.

Tax provision for the year amounted to Rs 1,83,00,000 (previous year Rs 1,67,00,000) leaving a net profit of Rs 92,08,241 as against Rs 83,54,305 last year. After transferring Rs 8,00,000 (previous year Rs 4,00,000) to Development Rebate Reserve and bringing back from this account Rs 10,00,000 (previous year Rs 19,00,000) now released, the amount available for appropriation was Rs 94,08,241 which has been transferred to General Reserve (previous year Rs 83,25,305).

After careful consideration of the Company's present and future resources position and all other relevant circumstances, your directors have decided to recommend payment of dividend at the rate of 14 per cent, subject to deduction of tax, on the share capital as enhanced by the issue of bonus shares during the year. If the recommendation is accepted, the dividend will be paid out of General Reserve and will absorb Rs 86,24,000 (previous year Rs 69,30,000).

Finance and Share Capital

A further amount of Rs 4,68,234 was repaid to The British Oxygen Company Limited against the loan granted by them leaving a balance of Rs 28,09,403 at the end of the year.

15,40,000 fully paid up new ordinary shares of Rs 10 each were issued and allotted as bonus shares amongst members of the Company who were on its Register of Members on 12 February 1973, in the proportion of one for three.

Development and Expansion

In my Statement last year, I referred to the new factory in Calcutta for the manufacture of air separation plant and associated cryogenic equipment. It gives me much pleasure to state that during the year under review three oxygen plants manufactured by the Company were supplied to customers. The Company was the first to manufacture such plant in India and thus gained the distinction of being the pioneer in import substitution in another important field. The order book position for this activity continues to be very satisfactory. The Company has recently finalised a collaboration agreement with Cryoplants Limited, London, for acquiring technical know-how for enlarging the scope of this activity to include manufacture of low pressure tonnage air separation plant and nitrogen generators. It is my earnest hope that the Central Government will accord its approval to this collaboration so that the Company is enabled to take yet another significant step towards the country's self-suffi-

ciency in areas which are essential for giant projects in basic industry.

Two new companies have recently been formed within the BOC Group — one to take full advantage of the high growth potential in the world wide market for medical equipment and supplies, and the other to co-ordinate and rationalise the development and manufacture of welding products to take advantage of potentials in new world markets. We are maintaining close association with these two companies and there are already signs of benefits flowing to the Company. Orders have been obtained for the export of certain products to several countries including some in Western Europe.

My Statement last year mentioned that several industrial licence applications were submitted by the Company. While Government decisions in respect of some of these are still awaited, an intensive exercise is under way for development and diversification of the Company's activities, bearing specially in mind the new industrial policy announced by the Government in February 1973. Certain projects have been identified which satisfy all the major requirements of the Government policy. These are currently under detailed study and it is hoped that we should shortly be in a position to submit applications for industrial licences and other related clearances.

I should like to take this opportunity of referring to the new procedure for expediting Government approvals of new projects introduced from 1 November 1973. If the Project Approval Board, the Secretariat for Industrial Approvals and other Government agencies approach their tasks with pragmatism and adhere to the time targets set by the Government, there ought to be a distinct improvement in the pace of industrial development. It is hoped that the Government will bear in mind that in greater production lies the remedy of many of our economic ills.

Management and Personnel

Although there was labour unrest at some of the Company's units during the year, industrial relations in the Company were generally satisfactory. A settlement was signed in June 1973 with the recognised Federation of the employees' unions extending substantial benefits to the employees. Separate settlements on similar lines were subsequently signed with certain unions not affiliated to the Federation. These settlements contained the Federation's and the unions' assurances that they would co-operate with the management in improving productivity and discipline and removing restrictive practices. I sincerely hope that the response of the employees in actual practice — in terms of these assurances — will be encouraging. The pace of our industrial growth depends largely on increased productivity and peaceful industrial relations. We look to our employees and their representatives for greater co-operation in ensuring the attainment of these objectives throughout the Company so that we can successfully meet some of the serious challenges facing all of us. I would like to take this opportunity to thank all those employees, management and non-management, who by their hard work and loyalty enabled us to achieve the satisfactory results for the year.

It gives me great pleasure to mention that two of the Company's executives won international recognition. One of them won the Macnab Medal for 1971 awarded by the Institution of Chemical Engineers, London, for the best design project submitted in that year, and the other was selected by the United Nations Industrial Development Organisation to work as an expert in ferrous extraction metallurgy in Egypt. A third executive has recently received a National Metallurgist Award in welding technology.

Mr K Gopalakrishna retired from the Board of Directors at the last Annual General Meeting on 12 February 1973; we are thankful for the valuable contributions made by him to the deliberations of the Board. Mr R H Mody and Mr K Julian Scott have joined the Board as additional directors. I am sure that their valuable experience will be of great benefit to the Company.

Prospects

The shortages of certain essential raw materials and the apprehended continuing shortfalls in power supply in many parts of the country may well inhibit production at the Company's factories being maintained during the current year at satisfactory levels. If these fears prove unfounded, the Company's immediate prospects can be viewed with optimism.

Under the recently enacted Foreign Exchange Regulation Act, 1973, the Company, in which non-resident interest is more than forty per cent, will be required to obtain the permission of the Reserve Bank of India in many matters relating to its activities. This introduces fresh constraints on the Company and others similarly situated. It is hoped, however, that the Reserve Bank will exercise its authority with a sense of realism so that the restrictions under the Act do not impinge unduly on the Company's operations.

The prospects in the long-term will depend upon the Company being permitted to develop and diversify its activities on a significant scale. As already indicated, the Company expects to submit shortly to the Government for approval new projects conducive to the country's industrial growth and commensurate with the financial, managerial and technical resources of the Company. If these projects are approved by the Government, the Company is likely to derive substantial benefits in the foreseeable future.

A K Sen
Chairman

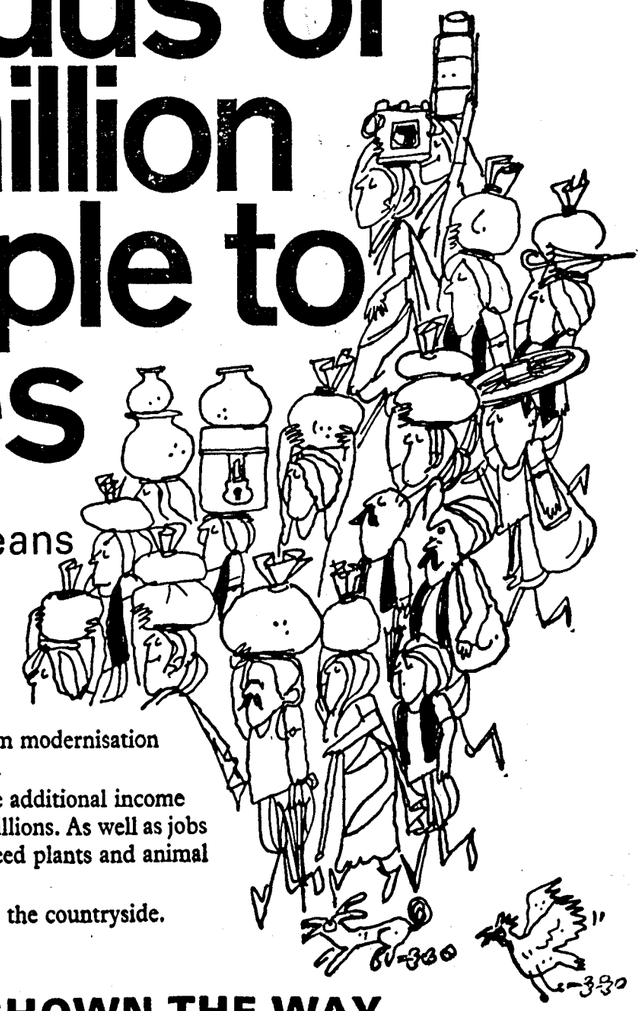
30 November 1973

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

Apollo Tubes

APOLLO TUBES, a new company of the Raunaq group, is setting up in the 'backward' area of Ranipet in Tamil Nadu a project for manufacture of steel tubes and pipes and bicycle tubing with an installed capacity of 25,000 tonnes per annum. The project is being established with technical-cum-financial collaboration of Bharat Steel Tubes, the largest maker of ERW tubes and pipes in the country. This will be a major tube mill in the South where demand for steel tubes and pipes has been on the rise. Construction of the factory buildings is in progress and the plant is expected to commence commercial production before the end of 1974. The project cost, estimated at Rs 164 lakhs, is proposed to be met by share capital (Rs 70 lakhs), loan from IFCI (Rs 54 lakhs), loan from SIPCOT (Rs 25 lakhs) and subsidy for locating the project in an industrially under-developed area and deferred-payment on land (Rs 15 lakhs). According to the chairman Raunaq Singh, Apollo's sales should rise from Rs 396 lakhs in the year ending June 1976 to Rs 942 lakhs in the subsequent three years and pre-tax profit from Rs 20 lakhs to Rs 66 lakhs in the same period. He is confident that the company should be able to pay a maiden dividend of "not less than 10 per cent" for 1975-76 and step it up later.

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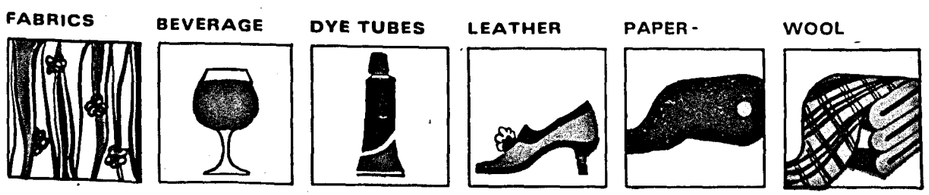
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TOTTERING BALANCE OF PAYMENTS

SHIFTING ALLIANCES IN WEST BENGAL

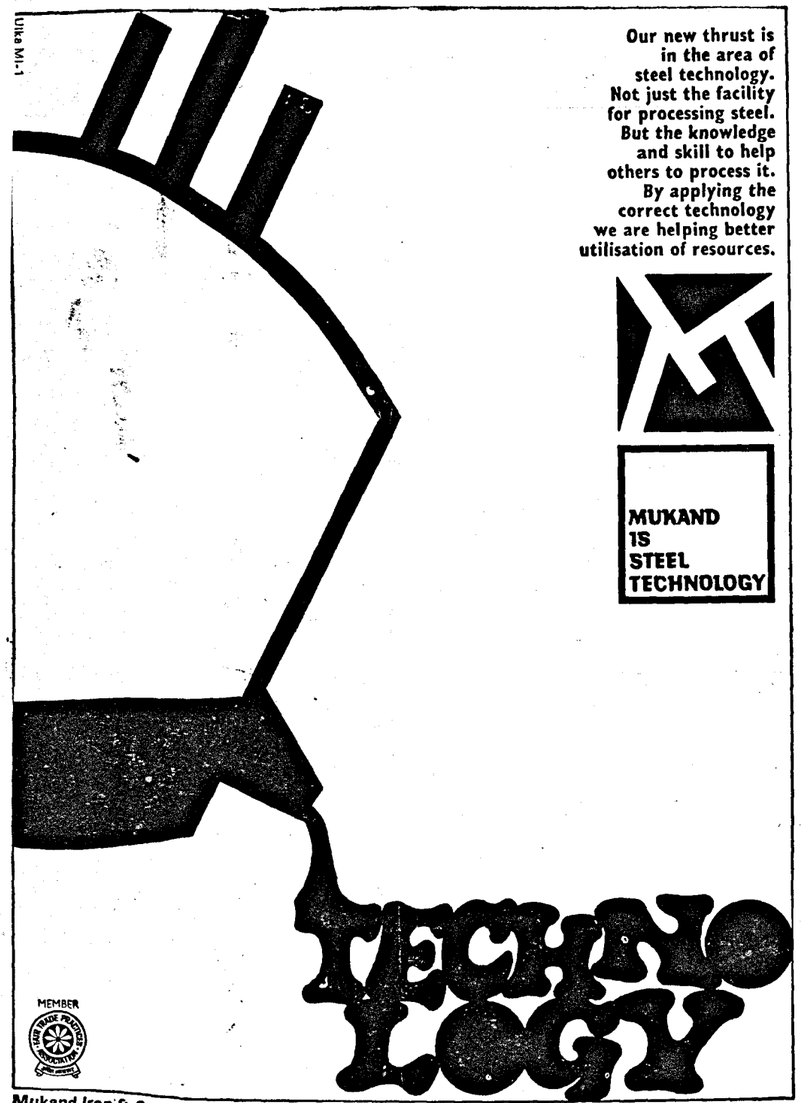
THE GREAT MIGRATION OF 1971

IMPERATIVES OF TEA EXPORT PROMOTION

LEAGUE IN TURMOIL IN KERALA

WELFARISM VS RADICALISM IN PLANNING

ELECTION ANTICS



Mukand Iron & Steel Works Ltd., Kurla, Bombay 400 070.

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Fudging—and Worse

THE elaborate exercise of budget-making deserves to be taken seriously only so long as there is reason to believe that the government has at least a fair degree of control over the level and pattern of its expenditure. The last few budgets of the Central government had raised grave doubts in this regard. These doubts have been enormously strengthened by the budget for 1974-75, presented to Parliament this Thursday.

The revised estimates for 1973-74 show how awry the estimates of expenditure contained in last year's budget have gone. The budget had anticipated a deficit of about Rs 240 crores, after taking into account the expenditure arising out of the recommendations of the Third Pay Commission; in fact, the deficit has turned out to be Rs 650 crores. And that after raising about Rs 150 crores more from what are euphemistically called market borrowings but which consist largely of borrowings from the banking system — this year, largely from the Reserve Bank itself.

Against this, on the expenditure side, while the government's total expenditure increased from the budget estimate of Rs 7,626 crores to Rs 8,438 crores, expenditure on the Central Plan met out of the budget actually declined from Rs 1,924 crores to Rs 1,656 crores. The share of the Central Plan in the total expenditure of the government as a result declined from around 25 per cent — in itself nothing much to write home about — to less than 20 per cent. And what were the items the expenditure on which bloomed? That the food subsidy would turn out to be about Rs 120 crores higher than estimated in the budget was known, as was the parlous state of railway finances which has eaten into the Centre's budgetary resources to the extent of Rs 110 crores more than provided for in the 1973-74 budget. To these have to be added loans to states for non-plan purposes under the heads 'assistance towards relief of damage caused by natural calamities' and 'special accommodation for covering gaps in resources' which have accounted for Rs 556 crores or well over twice the budgetary provision of Rs 258 crores.

A deficit risen to three times the budgetary estimate, a reduction of Rs 250-300 crores in expenditure on the Plan and an increase of around Rs 1,000 crores in expenditure of the non-Plan, non-development kind — this is a strange outcome for a budget which, the Finance Minister had claimed, was consecrated to the objectives of control of inflation and promotion of higher levels of saving and investment.

It is against this picture of fiscal chaos that the estimates presented in the budget for 1974-75 have to be judged. Faced with a 25 per cent rate of inflation and an all-round economic crisis, the government's instinctive reaction has been to jettison the very programmes which not so long ago had been advertised as the sheet-anchors of its effort to achieve greater social justice. A whole, separate document titled 'Towards Growth with Social Justice', presented with the budget for 1970-71, had been devoted to an exposition of these programmes. In the budget for 1974-75, however, the various crash programmes for employment, the programmes of family and child welfare and the many 'special' welfare schemes have been left with pittances or been disinherited altogether. In the provision for the Central Plan in the budget, social and community services receive Rs 90 crores, or a fifth, less than the provision of Rs 442 crores in the 1973-74 budget. Considering the enormous propaganda mileage which the government had earlier derived out of its espousal of these programmes, it is hardly possible for it now to turn round and argue, as the critics of these programmes have been doing, that the way in which the programmes had been conceived and were proposed to be implemented, they would have achieved neither growth nor social justice.

The Finance Minister may yet like to claim, however, that while social justice might have been given the go-by, albeit temporarily, the government remains unremitting in its pursuit of growth. In this context he might point to the increase proposed in the allocation for the Plan in the budget for 1974-75. Unfortunately for him, the increase of a little less than Rs 190 crores over last year in the provision for the Central Plan, including from sources outside the budget, really represents no increase at all in real terms, given the rise in prices in the last year, especially in those prices which are most relevant to investment programmes.

It may still be pointed out that even if the increase in the overall Plan expenditure is deemed modest, the allocation for industry and minerals and transport and communications at Rs 1,346 crores shows a smart rise of Rs 418 crores over the allocation of Rs 928 crores in the last budget. However,

a considerable part of even this seemingly large increase in outlay represents overruns in the costs of projects under implementation. Secondly, it is not at all certain that the allocations for the different industries will be fully or effectively used in view of the fact that in many cases there are no projects in the pipeline. Finally, there is some disturbing suspicion about the comparability of the current year's figure of outlay on the Plan with those of earlier years. This arises from the fact that the outlay figures of the Draft Fifth Plan are all in gross terms whereas those of earlier plans were net of replacement expenditure. If the outlay for the current year's Plan are in gross terms, as it should be since this is the first year of the Fifth Plan, then even a 15 or 20 per cent rise in outlay over last year may represent no increase at all once the figures are made comparable. It is peculiar, to say the least, that there is no explicit reference to this matter in any of the budget documents.

The fudging on the expenditure side of the budget seems all too tolerable compared to the dishonesty of the pretension that tax evasion will be checked by sharply reducing the rates of personal income tax. The suggestion for such reduction may have come from the Wanchoo Committee, but its implementation at this stage is a bonanza pure and simple for the salaried bureaucracy in the public and private sectors. The government could not be unaware that the budget for 1957-58 had reduced the highest marginal rate of tax earned incomes from the-then prevailing level of 91.8 per cent to 77 per cent — the level now proposed by the Finance Minister. The reduced tax rates, with the highest marginal rate at 77 per cent, had prevailed continuously for five years up to 1961-62, by which time, according to the Wanchoo Committee's own verdict, income escaping tax had reached the figure of over Rs 800 crores. It is naive to believe that a reduction in tax rates will persuade those bent on tax evasion to cease and desist, since, given the government's kid-glove treatment of tax-evaders, the risks attendant on being found out are so slight.

It is an altogether apt commentary on the government's sensitivities and concerns that at a time when the low rates of investment and growth for years on end, the stagnation in employment and the sharp rise in the prices of the essentials of life have further skewed the distribution of incomes in favour of the well-off, the Finance Minister should have, on the specious plea of checking tax evasion, chosen to make a present of, according to his own conservative calculations, Rs 60 crores annually to the relatively affluent belonging to the tax-paying category.

Nagaland

No New Frontiers

THE hill states adjoining Assam, with the exception of Tripura which is more akin to Bengal, have not yet been integrated into the Congress-loyal opposition syndrome. Regional parties abound in the hill states, both in their governments and oppositions, overground and underground. But one of these territories, Arunachal Pradesh, i e, the former North-East Frontier Agency, does not have any organised political parties. Manipur, on the other hand, has a number of local parties, themselves differentiated by community. These parties include the Manipur People's Party, the Manipur Hill Union and the Kuki National Assembly. The Union Territory of Mizoram is ruled by the Mizo Union and in opposition is the Mizo Congress which would like Mizoram to be given full statehood. The outlawed Mizo National Front is, however, leading an armed struggle for a sovereign Mizo country and has connections with the underground Nagas. In Meghalaya a section in the ruling All-People Hill Leaders Conference tried to bring about their party's integration with the Congress, but was prevented from doing so by other more vociferous sections within the APHLC.

But it is in Nagaland that a parallel political system seems to be developing, somewhat along the lines of the Congress-loyal opposition system in most other parts of India, yet distinctly free of any direct control from any of the all-India parties, whether Congress, Communist or Right-wing. While it is true that the two major parties in Nagaland, the United Democratic Front (UDF) and the Naga Nationalist Organisation (NNO), based their election campaigns on very different lines, both the parties are one in having a strictly Naga identity.

The UDF, which has now come to power, has promised that it will try to arrange a reconciliation with the Nagas who have been fighting for an independent state. But this would be done within the bounds of loyalty to the Indian state. It has also promised to work towards the lessening of the Indian Army's presence in Nagaland. The NNO campaigned on the basis of further planned economic development but did not specifically mention a reconciliation with the underground Nagas.

In last month's election, the UDF won 25 seats and the NNO 23 in a 60-member Assembly. The UDF then managed to woo eight independent members to its side and so formed the government which had been in the hands of the NNO ever since 1964 when Nagaland became a full-fledged state. The election outcome does not clearly indicate whether the sympathies of the Naga people lie with the underground forces or not, although it may indicate a desire for an end to the fighting which has been going on for about 20 years. But now that the UDF has taken over the formal responsibility of power in Nagaland, the more determined underground Nagas may begin to look upon it as a stooge of India, or much the same as their image of the NNO. The victory of the UDF in the election, therefore, does not necessarily mean a quick end to the protracted fighting in Nagaland.

Political Prisoners

Make-Believe World

FOR the people of India today, the Prime Minister is reported to have said in one of her recent campaign speeches, it is no longer a question of facing bullets or going to prison; it is more a question of having self-confidence and determination to face with courage the difficulties and dangers obstructing our path so as to overcome them.

How unreal can one be? If one takes the statistics of deaths by police bullets in the twenty-seven years since Independence, the number of such deaths has been the highest during the last few years, when Indira Gandhi has been firmly in the saddle as Prime Minister. Human lives never mattered so little as today; trigger-happiness has seemingly been given the status of a national ethos. If one were also to look into the data on the number of young men and women locked away for *political* reasons, this too again is at the moment about the highest since Independence: apart from a very brief period in the early 1950s, our jails have never been fuller. Certainly, under the British, deaths from police firings were not exactly few and far between; but they were a piffle compared to the frequency and intensity of the firings taking place now. And while during individual periods, for example, during the phase of the non-co-operation movement in the early 1920s or the civil disobedience in the early 1930s, the number of those imprisoned could have been greater, if the number of prisoners were to be weighted by the length of their incarceration, the record of the present government in New Delhi would surpass what the British were ever able to achieve in this country.

Should one not also mention a few other things? What happens inside the prisons does not remain exactly unknown to those who still are outside. This journal has recently published a detailed account of the medieval barbarities perpetrated on the inmates in such a supposedly *avant garde* prison as the Presidency Jail, Calcutta: none of the details mentioned in the report has till now been contested by the authorities. Insofar as torture by the police both inside prisons and in the lock-ups is concerned, the current practices put into shade the known stories about third-degree methods in British prisons. Part of the reason for this expanding vista of tortures is admittedly secular. The advancement in the technology of torture is a function of time: the police today know of more ways about how inhumanities can be perpetrated on young men and women than were known to the police thirty, forty or fifty years ago.

The point of this particular caveat on our part is to draw attention not even to the factual errors in the Prime Minister's statement, but to a pattern of behaviour that is fast developing. Even were the fact that the Prime Minister must have her secret sources of intelligence about the frequency of police firings and the number of political prisoners in the country to be ignored, she must be each day scanning the newspapers. On the very day she was speaking on the theme of bulletlessness and prisonlessness, the police resorted to firing in Gujarat, Maharashtra, Uttar Pradesh and West Bengal to quell crowds which had gathered to make political demonstrations. The government may make the point that, on each occasion, the provocation for the firing came from the assembled crowd, but that would not still blot out the *fact* of the firing. On the day the Prime Minister was speaking, there were, on a rough reckoning, around the country close to 35,000 political prisoners languishing in jails for months on end without being brought to trial. A certain selectivity would thus appear to have affected the cognitive process among ruling politicians. They take cognisance of facts that are convenient to them, the rest do not exist at all. Given this stratagem, the occasion does not even arise to explain away the facts — the facts simply cease to be. If allowed to spread, this could be a technique full of momentous possibilities. For if you are not to accept some events as facts, there could be no question of analysing them, assessing them, drawing the appropriate lessons from them. If it is to be taken as datum that the police do not fire bullets and therefore nobody dies as a result of police firing, or if it is not to be recognised that thousands of individuals are currently in prison because of their political convictions and therefore there is no need to delve into the genesis of their moral courage, introspection could go out of the government system. If facts themselves are obliterated, the compulsion to draw lessons from them would also not be there. From this, it is also but one short step to refuse to recognise the fact that prices are spiralling or that large sections of the population are groaning under the impact of the inflation. Politicians could therefore continue to live in their world of make-believe, facts becoming un-facts and illusions taking the place of reality. If, after a while, the wrath of people rises to a crescendo and men in authority are unable to face the public and have to flee from public concourses, even that fact might be conveniently ignored.

Tea

The Imperatives of an Agreement

Angus Hone writes:

THE talks in Colombo in early February, between the Indian Deputy Commerce Minister, A C George, and Sri Lanka's Minister of Plantation Industries, Merryn da Silva, would suggest that India and Sri Lanka are thinking of establishing a joint marketing policy to raise world tea prices. World tea exports are dominated by India and Sri Lanka, and such a joint policy may be the answer to the falling unit prices and stagnant exports of tea.

Total world exports were 680,000 tons in 1972: of this, India accounted for 207,000 tons and Sri Lanka for 190,000. In 1973, exports by the two countries would aggregate over 410,000 tons as compared to 700,000 tons of world exports. Only Indonesia (40,000 tons) and Bangladesh (20,000 tons) are significant exporters of tea from the Far East. The dominance of India and Sri Lanka is even greater in value terms, since they export the better qualities of tea. Thus, of world trade in tea of $ 597 million in 1972, more than two-thirds was commanded by India ($ 215 million) and Sri Lanka ($ 194 million). But prices have been stagnant or falling as is evident in the Table below:

VALUE OF EXPORTS PER KG (US cents)

	India	Sri Lanka
1961-1965	123.8	116.7
1966-1970	106.4	96.0
1970	98.2	90.3
1971	100.4	92.6
1972	103.7	101.9

The result has been a rapid decline in the purchasing power of tea exports even as prices of imported items into India and Sri Lanka have risen sharply during the period 1961-1972.

The major reason for the falling prices has been the stagnant demand for tea in the developed countries. In 1972 the developed countries' offtake was 405,000 tons, compared with the average for 1961-1965 of 407,000 tons. In the United Kingdom — the world's largest importer — consumption actually fell from 234,000 tons in 1961-1965 to 193,000 tons in 1972. At the same time, low-cost African producers of tea have expanded their output and exports much faster than the increase in total world consumption. African exports reached the level of 132,000 tons in 1972. In the absence of any significant multinational promotion of tea in the major markets of UK, EEC, and the United States, these two trends have resulted in stagnant value of tea exports at $ 579 million in 1972 against the average of $ 585 million for 1961-65 — and falling unit prices.

The obvious solution would be a pact between India and Sri Lanka to withdraw, say, 10 per cent of their total exports (or about 40,000 tons) from the market. A large number of econometric studies — including those by R J Ball at the London Business School, by the FAO, and others — indicate that the price responsiveness to a cutback

in supply would be large while the likely fall in demand as a result of higher prices would be only marginal.

The tea withdrawn from the market would be a significant quantity, but Sri Lanka should be able to sell an additional 15,000 tons to the USSR and East Europe, while India by reducing the excise on domestic consumption could further expand its already large domestic market from 250,000 tons in 1972-73 to 275,000-280,000 by 1974-75.

The result of this policy might well be a price rise of 40-50 per cent which, combined with the 10-15 per cent cutback in volume would raise export earnings by over 30 per cent.

There are some obvious drawbacks to such a scheme. First, an agreement would have to be secured to prevent Bangladesh and Indonesia from meanwhile expanding their acreage massively as they well could. Second, India and Sri Lanka would have to come to a market-sharing agreement with the major East African producers — Kenya, Malawi, Tanzania, etc — allowing them to expand their acreages and market shares at an agreed rate: East African producers would also gain from the higher prices. Third, to prevent the erosion of tea's total market, a significant portion of the extra revenue (say, 3 per cent of $ 550 million in 1974-75) should be earmarked for a multinational advertising and promotional campaign in major import markets.

There is unlikely to be a major resistance to higher price levels. Coffee consumption in the United Kingdom from 1971 to early 1974 has, for instance, risen in spite of a price rise of over 50 per cent. The other EEC countries, like the United States, are only marginal tea consumers. The West Asian and North African countries are well able to pay sharply higher prices for tea after the 1973 oil price increases. Japan is gradually cutting back tea production and consumers are switching from traditional green to black teas, opening a new export market — though the coffee producers have already achieved significant penetration of this market through discount pricing and promotion.

The more general point is that producers of primary products can achieve significant gains by marginally reducing supplies to world markets. Tea, in fact, is an ideal product for a producers' agreement; but an agreement should be comprehensive and should safeguard the interests also of the African producers whose rapid expansion has undermined prices since 1960. It is also important that India and Sri Lanka should spend large sums in key consuming markets to reverse the falling volumes of tea imports. No agreement to increase total earnings from tea exports can succeed unless adequate attention is paid to the details — such as to the smaller producing countries, the need to expand consumption, and the need to ensure an alternative market for the supplies withdrawn from auctions at Colombo, Calcutta, or London.

Centre-State Relations

Another Major Shadow

A Correspondent writes :

THE Chief Minister of Assam has demanded doubling of the royalty on crude supplied by the state, from Rs 15 as at present to Rs 30 per tonne. Only last year, the Prime Minister had given an award fixing the royalty payable to the governments of Assam and Gujarat for the crude raised in these two states. But last year was last year: the Assam Chief Minister was polite but he firmly stated that he is asking for additional royalty "in view of the special situation created by the crude price going up all over the world" in recent months. In other words, if Saudi Arabia and Kuwait and Iraq and Iran and Venezuela and Indonesia could raise their crude prices and get away with it, why not the government of Assam?

Even a few months ago, the stance adopted by the Assam Chief Minister would have been considered outrageous; he would have been rapped on the knuckles for voicing such treasonous thoughts; he might not even have been able to gather the courage to make the request. Times have changed, however. Irrespective of the outcome of the mini-elections last month, there are other pointers that the Prime Minister's spell of untramelled authority is coming to an end. The Assam Chief Minister has, of course, prefaced his demand for a higher price for crude by inviting attention to the special problems besetting his state. Assam is a permanent victim of the scourge of floods; the Brahmaputra keeps changing its course, which sets at disarray all well-laid plans for a scientific cropping pattern in agriculture. For achieving an economic

The Tamil Nadu Agro Industries Corporation Limited

"Agro House", Industrial Estate, Guindy, Madras-600032.

DISCS FOR SALE

Sealed tenders for the purchase of imported "Horseman" brand Agricultural Discs of 24" diameter (with square centre hole) of good quality, available with this Corporation, are invited from Agricultural Implement Manufacturers, with quantity required, and the maximum rate offered, so as to reach this Corporation on or before 3 P.M. on 11-3-'74. The rate quoted should be for purchase ex. our Stores at Guindy, Madras (excluding taxes applicable). Offers should be accompanied by original invoices (of recent origin) for the purchase of an equal number of approved makes of indigenous discs of similar size. The details of implements manufactured by the tenderer from 1970 may be given. Offers should be accompanied by a Demand Draft for Rs. 25,000/- drawn in favour of "The Tamil Nadu Agro Industries Corporation Limited, Madras", payable at any bank in Madras, towards Earnest Money Deposit. Offers received without E.M.D. will be rejected. Full payment should be made before taking delivery. Concessional sales tax is applicable against production of C Form. The undersigned reserves the right to accept or reject any or all offers without assigning any reason therefor at any stage.

MANAGING DIRECTOR

breakthrough, the state must exploit to the full its power potential and must establish an extensive irrigation network. To bring all this about, it needs additional funds. Where can Assam obtain such funds unless it could get, by way of royalty on its crude, substantially more than the present pittance of Rs 6 crores per annum? It is, however, the hint of the further message implicit in the Chief Minister's statement which cries out for attention.

When one thinks about it, Assam's Chief Minister has proceeded strictly on the basis of precedents. In 1966, during the acutest phase of the drought, the chief minister of one of the states with a surplus supply of rice had gone on record as saying that his state should be paid the same price for the grain as prevailed in the world market, which was then roughly double the domestic price. He even demanded that this payment be made entirely in foreign exchange. That particular chief minister was not penalised; he is now a member of the Union Cabinet. What is more, since currently the price of wheat in the world market exceeds Rs 100 per quintal, sturdy lobbyists from Punjab and Haryana are demanding as much for their grain. The argument, of course, is never reversible. For example, till August 1972, the landed cost of imported wheat at Bombay was only Rs 42 per quintal: no chief minister from any north-western state ever addressed a press conference demanding that the procurement price of the grain must not be allowed to rise above the level of the international price.

A certain wobbliness always prevailed in the system, which encouraged the state chief ministers to explore from time to time the limits of their suzerainty. For a while, in the middle 1960s, the status of the government in New Delhi was nearly reduced to that of a delegatory authority and the chief ministers — at least several of them — did come to occupy the centre of the stage. All that changed as Indira Gandhi gradually gained confidence and increasingly began to assert herself. Following the nationalisation of the 14 major commercial banks, a much more dramatic shift occurred in towards the Centre. The phase of the Prime Minister's overwhelming supremacy continued, and reached its climacteric with the triumphant *denouement* of the Bangladesh war.

But New Delhi's insensitivity to the growing hardships of the people as a consequence of the sharp price increases during the past two years has once more eroded the moral authority of the Prime Minister, and therefore of the Centre. The by-election reverses of the ruling party in a number of states and the almsot total breakdown of the administration in Gujarat have underlined the extent of erosion of the Centre's influence and authority. The situation is thus ripe for a revival of the doctrine of states' rights. The Assam Chief Minister is thus merely probing the field. The Congress party itself is a loose federation of regional interest groups; it is the shared arrangement of spoils which binds its groups together. Every now and then, they come to offer obeisance to a Central leader, but that they do so on the basis of a hard cost-benefit analysis: the material gains accruing to them on account of the charisma of the leader far outweigh their losses, following the limitation of their suzerainty. Once the charisma of the Prime Minister is gone, the clamour for the decentralisation of powers is likely to spread even within the party. After a period of quiescence, the DMK has resumed its strident demand for increased state autonomy: the minister for industries in Tamil Nadu has reasserted the right of the state to issue industrial licences on its own. But the tendency to cock a snook at the Centre will now widen, and will cut across party lines.

Assam's demand for higher royalty, however, can be paid only by increasing the load on the other parts of the country: the plea of the Chief Minister is in a sense a plea for a re-distribution of incomes. In essence, it is no different from the plea mounted by the chief ministers of Punjab and Haryana for higher and higher procurement prices for their grains, since that too implies a demand for redistribution of incomes among states. It is a circuitous process of bargaining and counter-bargaining, each state trying to squeeze as much as it can out of the Centre and the other states. With Assam kicking off with a demand for higher royalty for its crude, it is conceivable that Bihar and West Bengal would soon ask a higher price for their coal and iron or jute, Punjab and Haryana would demand even more fantastic prices for their wheat, Gujarat and Maharashtra would refuse to part with their cotton unless they are offered a higher share of the booty from textile exports, and so on down the line.

If few worry over the overall national interests, it is for the simple reason that few are convinced that the Centre itself, going by past evidence, has ever at all worried over them.

THE FOURTH ESTATE

Taken for a Ride

Nireekshak

SOMEONE is taking the working journalist for a ride over the third wage board. Until 1972, there was just one national federation of working journalists. It had always been led by an elite that had often felt a little leftist and left out. When a Left Establishment emerged, the elite became a part of it. Ironically, the cold war had ended and the *detente* was beginning when the Indian Federation of Working Journallsts split and the National Union of Journalists (India) came into being. The polarisation, broadly, was parallel to the polarisation of journalists between the cold war lobbies, leaving out a large number.

The demand for the third wage board was articulated by the NUJ late in 1972, much to the discomfiture of the IFWJ, which, claiming to represent the committed lot had taken upon itself the task of securing the diffusion of ownership of newspapers and delinking it from big business. The IFWJ enjoyed official recognition and patronage and could not countenance being outsmarted by the break-away body. So it called a one-day token strike to press the demand for a new wage board. With a Labour Minister committed to new wave journalism, the IFWJ's one-up-manship was certain to pay off. The promise of a wage board was sought and secured even before a formal decision was taken by the Union Cabinet. The non-journalist newspaper employees who had their first wage board (non-statutory) with the second wage board (statutory) for the journalists, saw little purpose in a new wage board for them and opted for a bilateral settlement. The IFWJ was all set to take its place in the third wage board and began preparing its case for interim relief. Assured and

reassured by the Labour Minister, it was certain that the NUJ would be kept out of the board to be constituted.

The formal decision took sometime coming. But the new Information and Broadcasting Minister, Inder Gujral, did not talk much of diffusion or delinking and the idea of a third wage board did not seem to enthuse him much. Yet the apostle of committed journalism, who holds independent charge of a ministry which had been headed by the Prime Minister for a long time, is a great friend of the IFWJ which is committed to helping the country's peaceful transition to socialism *via* the state of national democracy.

Nevertheless, the delay in the constitution of the wage board seems to have caused the IFWJ a great deal of embarrassment. It sent a high-powered deputation to Gujral on January 21 to demand early steps on diffusion and delinking the ownership of newspapers and news agencies and the constitution of the third wage board. Gujral told the deputation that the government was still considering the question of delinking the newspapers which were controlled by industrial houses — which means the "diffusion" plan has gone overboard. As for the third wage board, the Union Cabinet had approved its appointment in principle but he could not say when it would be appointed.

It certainly would not add to the joy of the IFWJ leadership to tell itself that Gujral is not sufficiently committed, and that unlike the Labour Minister, K V Raghunatha Reddy, he is backtracking on vital issues. The body of newspaper proprietors, the Indian and Eastern Newspaper Society has opposed the third wage board now on the plea that the newsprint crisis has imposed a severe strain on the industry. No doubt, the economics of the newspaper industry are distorted at the moment as a result of the difficult newsprint situation. The government, however, seems to be using the newsprint crisis as an alibi for not constituting the third wage board immediately, though the scales of pay and rates of dearness allowance recommended by the 1967 wage board had no relation to the paying capacity of the industry and the price level in 1966-67. Newspaper revenues have boomed since 1967 because the advertisement rates have been hiked on four occasions since — the increase being roughly 33 to 125 per cent. The advertisement revenue of ABC members through accredited agencies went up from Rs 13 crores in 1966 to Rs 30 crores in 1972. In 1971-72, newspapers received from the private and public sector (including state and Central governments) Rs 45 crores by way of advertisement revenue. During the last seven years, the proportion of space taken by advertisements has risen. So much so, advertisement revenue has recorded an increase of 245 per cent according to one estimate. The circulation revenue has also gone up during the last seven years, while the wage structure has remained unchanged.

The government has cold-shouldered the IFWJ and the NUJ has reason to chuckle over this in delight even as the proprietors say self-righteously 'We told you so'. Clearly, the IFWJ did not bargain for this — and from Gujral, recognised by the more committed journalists as their patron saint!

By all accounts the plan for diffusion of newspaper ownership is dead as a dodo because the big newspapers have by and large been brought round. The 'delinking' threat is a newspaper tiger. Over a year ago, the *Indian Express* group had thought of its eighth edition from Cochin and possibly its ninth from Jaipur and the Delhi edition of the *Financial Express* too. The Monopolies and Restrictive Trade Practices Act inhibited it from going ahead. There were subtle hints that while nothing would be done to prevent the expansion, the whole issue might be referred to the MRTP body at some stage. But a year later, the MRTP Act had lost its terrors for the *Indian Express* management which in the meantime managed to send the then editor who was a source of embarrassment into voluntary exile and replace him with a homing expatriate. The Cochin edition of the *Indian Express* was launched without fuss and it was described as the establishment of printing facility, obviously to relieve the pressure on the overworked plant at Madurai which had taken care of Kerala circulation in the past. The Bombay-based *Financial Express* now has a Delhi edition. The newsprint shortage makes little difference to the expansion plans of the big chain newspapers if they have bought their peace with the powers that be.

Tamil Nadu Electricity Board

Global Tender Notice No. IDA/T.N.E.B./4.

The Tamil Nadu Electricity Board invites SEALED BIDS from Manufacturers/suppliers located in member countries of the World Bank and Switzerland for the supply of:-

Details	Tower Requirements (Tentative)
Transmission line Towers and accessories for (i) 230 KV transmission lines. and (ii) 110 KV transmission lines.	430 Nos. 300 Nos.

for the Tamil Nadu Electricity Board Power transmission and distribution project which is being financed by the International Development Association. Manufacturers/Suppliers interested in furnishing the above items may obtain Bidding Documents on payment of Rs. 75/- per set (equivalent to Indian Currency) from

The Superintending Engineer,
Technical/Electrical,
Tamil Nadu Electricity Board,
157, Anna Salai,
Madras-600 002.
Tamil Nadu (India).

The cost of Bidding Document (Rs. 75/-) may be remitted either by cash or by Money Order to the Deputy Financial Controller, Madras Electricity System (Distribution), 1/155, Anna Salai, Madras-600 002 (India) noting the specification No. and sending the cash receipt or Money Order receipt as the case may be to the undersigned with a requisition furnishing the complete postal address.

Bids shall be received at the above address till 12 Noon Indian Standard Time on 31st May, 1974 and shall be opened in Public on the same day at 3.30 P.M. Indian Standard Time.

157, Anna Salai,
Madras-600 002,
INDIA.

Superintending Engineer,
Technical (Electrical)

Good Results despite Poor Labour Relations

Hansavivek

VOLTAS, after last year's setback caused by a prolonged labour agitation that culminated in suspension of manufacturing operations for nearly three months, is looking ahead to a fair growth in production, sales and earnings this year. During 1972-73, the value of the works' output dropped from Rs 11.74 crores to Rs 6.66 crores. In the first five months of the current year, the output has gone up by 100 per cent over the same period last year, according to the Executive Chairman, M R Bhide. This trend holds out prospects of an encouraging performance, but the company may have to contend with a number of constraints, such as shortages and rising prices of raw materials, restricted power supply and the credit squeeze. Meanwhile, where licensed capacities have already been enhanced, necessary extensions in the existing production facilities are being made. A bigger model of refrigerator and a wider range of mining equipment are to be introduced during this year. Transport refrigeration and plate freezers for marine products are at an advanced project stage. The long-term outlook has been further brightened by the growing activities of the research and development division which continues to develop new products and improve the existing ones. Of the 45 main development projects handled by this division, 26 were in respect of new products, 9 for improvement of the existing items and 10 for new technology, material substitution, etc. The company has budgeted for an expenditure of Rs 104 lakhs for the current year on research and development, as against Rs 25 lakhs spent last year. The marketing base is also being widened by acquiring new product-lines and entering into new fields of business. A number of proposals in respect of machine-tools, textile machinery, chemicals and consumer products are being considered. When implemented, they should add substantially to the company's turnover.

Considering the industrial relations of last year, the company's working results can be regarded as satisfactory. Dividend has been maintained at 17 per cent, though at the cost of the earnings-cover. Borrowings were brought down significantly and the ratio of inventories/sales declined over the year.

INDIAN OXYGEN, which had applied for several industrial licences, is still awaiting government decisions in respect of some of these applications. At the same time, an intensive exercise is under way for development and diversification of the company's activities. Certain projects have been iden-

The Week's Companies

(Rs in Lakhs)

	Voltas		Indian Oxygen		Tribeni Tissues		Gammon India	
	Latest Year 31-8-73	Last Year 31-8-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 31-7-73*	Last Year 31-3-72
Paid-up capital	571	549	616	462	437	437	155	155
Reserves	560	512	445	575	262	259	109	50
Borrowings	985	1407	28	143	—	—	37	115
of which Term borrowings	200	200	—	39	—	—	9	10
Gross fixed assets	940	885	1717	1642	755	747	558	490
Net fixed assets	435	445	548	555	369	382	184	152
Investments	126	126	4	4	14	14	4	4
Current liabilities	3767	3034	856	646	268	182	581	255
Current assets	5323	4931	1354	1209	584	483	693	399
Stocks	2436	2402	746	698	152	171	217	137
Book debts	2709	2404	492	448	328	251	286	279
Net sales	12310	11111	2454	2247	613	603	989	608
Other income	22	17	11	12	17	17	21	70
Raw material costs	11034	9816	935	859	218	209	863	564
Wages	779	746	641	551	117	106	51	30
Interest	165	142	12	18	—	—	9	19
Gross profit (+)/loss(—)	321	496	363	329	152	164	120	—33
Depreciation provision	62	59	88	78	29	30	42	24
Tax provision	187	255	183	167	55	58	—	—
Net profit(+)/loss(—)	72	182	92	84	68	76	78	—57
Development rebate provision	4	3	8	4	2	3	71	—
Transfer to reserves	—19	91	—	11	—	7	—	—
Dividend								
Amount	P — E 97	— 88	E 86	69	P — E 66	— 66	P — E 8	— —
Rate (per cent)	P — E 17	— 17	E 14	15	P — E 15	— 15	P — E 5	— —
Cover (times)	0.70	2.03	1.00	1.16	1.00	1.10	0.87	—
Ratios (per cent)								
Gross profit/sales	2.60	4.46	14.79	14.64	24.73	27.20	12.13	—
Net profit/capital employed	3.40	7.37	8.43	7.12	9.73	10.92	25.91	—
Inventories/sales	19.79	21.61	30.40	31.06	24.73	28.36	21.95	22.40
Wages/sales	6.33	6.71	26.12	24.52	19.08	17.58	5.15	4.93

* 16 months.

tified which, it is claimed, satisfy all the major requirements of government policy; the company intends to submit shortly applications for industrial licences and other related clearances. According to A K Sen, chairman, the company is likely to derive 'substantial benefits' in the foreseeable future if these projects are approved by government. Meanwhile, the company continues to expand activities in existing lines. Last year it manufactured and supplied to customers three oxygen plants. It was thus the first to make such plants in India and has good orders on hand. A collaboration agreement has been finalised with Cryoplants of London for acquiring technical knowhow for enlarging the scope of this activity to include manufacture of low-pressure tonnage air separation plant and nitrogen generators. During 1972-73, IOL's sales were higher than in the previous year, owing mainly to the contribution from the new plant-manufacturing activity — notwithstanding the constraints on production due to shortages of calcium carbide, electrode quality wire rods and power-cuts. Profits were also higher and dividend was reduced by a point to 14 per cent on the capital as enlarged by the issue of bonus shares on a one-for-three basis.

TRIBENI TISSUES has received a revised 'letter of intent' for its expansion project, according to which the first phase will be carried out at Tribeni with an estimated outlay of Rs 900 lakhs. Depending on the product-mix, the new machine will have a capacity of 5,000 tonnes and will enable manufacture of a wide range of speciality and industrial papers. A foreign exchange loan of Rs 60 lakhs, required to finance the project, is expected from ICICI. On account of a four-week strike, TT's production in the year ended September last was lower — with pulp declining from 6,064 tonnes to 5,841 tonnes, paper from 7,682 tonnes to 7,189 tonnes and chalk from 2,449 tonnes to 2,232 tonnes. The installed capacities were unchanged at 7,500 tonnes, 8,500 tonnes and 3,000 tonnes, respectively. Net sales were a little higher and gross profit would have been almost at par with the previous year's but for Rs 11 lakhs set aside for retirement gratuity. Dividend is maintained at 15 per cent, part of which is expected to be exempt from tax, and is just covered by earnings. The company has been operating entirely with its own funds and has no borrowings so far. The ratio of inventories/sales has been brought down over the year. Total remuneration of the managing director and directors (including the estimated value of benefits in kind but excluding sitting fees) increased from Rs 5,45,115 to Rs 6,91,412. The auditors were paid Rs 1,291 by way of reimbursement of expenses and Rs 275 and Rs 9,800 for taxation and other services, respectively, apart from their usual fees of Rs 20,000.

The company's research and development unit, established in September 1971, has been recognised by government and is thus entitled to various fiscal concessions. The company has been able to develop sophisticated electrical insulating papers, hitherto entirely imported. What is more significant is that TT has substituted indigenously available hemp and jute for manila-fibre, not grown in India, on which such papers are traditionally based. The company has so far made and supplied wire-winding, telecom, and a few other varieties of insulating papers. A quality tracing base paper has been recently introduced as a substitute for the imported base paper. Another speciality paper developed by the company is 'twist wrap' that finds uses in wrapping sweets, toffees, pharmaceutical strip-packs, etc. Till recently, better qualities of this paper had to be imported. A suitable base paper has also been developed for cigarette filters. There are numerous other grades which are in different stages of development. The company has been actively engaged in development of sann hemp cultivation in co-operation with UP's department of agriculture. It has been demonstrated that with improved variety of seeds, fertilisers, insecticides, and the line method of sowing, fibre yield can be increased from an average of 200 kg to 450 kg per acre.

GAMMON INDIA has returned to the dividend list with a 5 per cent distribution for the 16 months ended July 1973, following improved results. The accumulated deficit of Rs 105 lakhs has been wiped off by transferring Rs 16 lakhs from the development rebate reserve and Rs 19 lakhs from the general reserve. The dividend is also being paid out of the latter reserve. Employees' bonus has not been provided for, as the company contends that the Payment of Bonus Act does not apply to it. The acturial liability for retiring gratuities, amounting to about Rs 21 lakhs, has also not been provided for in the accounts. Moreover, no provision has been made in respect of the company's share of Gammon-Shah partnership's tax liability, which is disputed. At the close of the accounting year, the balance work in progress amounted to Rs 39.45 crores, including the contract for the construction of the world's longest river bridge over the Ganga at Patna, valued at Rs 21 crores, and the contract for the foundation of the second Hooghly crossing project at Calcutta, valued at Rs 6.09 crores. Additional contracts worth Rs 3.40 crores have been secured in the current year. Capital expenditure on plant and equipment was Rs 71 lakhs last year. The company intends to set up a manufacturing unit for large-diameter impellers for cooling towers. The subsidiary, Freyssinet Prestressed Concrete, suffered a setback last year. The other subsidiary, Gilcon Project Services, was incorporated in May last. It renders consultancy services in all types of civil engineering to firms in India and abroad.

PROTEIN PRODUCTS OF INDIA is experiencing acute shortage of bones, the prime raw material for its products. This situation has been brought about by an 'unprecedented' demand from overseas on account of a world-wide shortage of proteins. Bone prices have more than doubled during the past few months. A D Mango, chairman, has urged government to evolve a formula for suppliers and users, so that bone exports are not made at the cost of the indigenous industry. He warns that this situation, if not rectified urgently, might impose a severe restraint on the industry's capacity to meet the internal demand and export ossein, the intermediary product. During the year to September 1973, PPI's factory remained virtually at a standstill for five months on account of a 75 per cent power-cut in Tamil Nadu, and exports of ossein dropped to 386 tonnes from 833 tonnes in the previous year. Total sales were up from Rs 64 lakhs to Rs 90 lakhs, but the outcome was a bigger net loss of Rs 46 lakhs compared to Rs 39 lakhs. The accumulated loss mounted up to Rs 133 lakhs to stand against the share capital of Rs 120 lakhs. In spite of restricted production, the company was able to meet the demand for high grade gelatine from the pharmaceutical industry. An initial order for a small quantity of photographic gelatine has been secured from Hindustan Photofilms, and further orders are expected this year.

Calcutta Diary

A M

TRUE, there is nothing explicitly mentioned in the Constitution, nor in the statutes in force in the country. But a parliamentary system sustains itself largely by a set of conventions. When these are flouted, something dies. It is the death of the system's moral code. Once this code is dead, there is little left to hold on to.

Put your hand to your heart, and ask yourself. Let the Prime Minister and her Cabinet colleagues — if any of them still matter — ask themselves. It has been the convention since Independence — forget the fact that it was so even before Independence — that the Railway budget is presented to Parliament around February 20, roughly a week ahead of the General Budget. In the past several years, the *Economic Survey* has come in between. All that was changed this year. The people of Uttar Pradesh, Orissa, and elsewhere were voting on February 22, 24 and 26. The Railway budget could not but add to the burden of the electorate; the *Economic Survey* could not help being a purveyor of gloom whatever gloss you might try to add at the margin. The presentation of either on their due dates would have added to the difficulties of the Indian National Congress. Therefore, scuttle the convention: what can harm the ruling party must be taken to be equally harmful to the nation. The date of the Railway budget was pushed back; the presentation of the *Survey* was delayed till after the polls.

Be indulgent, it could be said; these were minor artifices, and they had only an insignificant impact on the results of the elections. Nevertheless, in the deed, something precious was destroyed. The decisions to postpone the Railway budget and the presentation of the *Economic Survey* were decisions which fell short of integrity. Neither the Indian Penal Code nor the Representation of the People Act could perhaps be stretched to consider what was done a culpable offence. All the same, they were acts of corruption. They strengthened the suspicion that this government cheats. Men by and large are not particularly interested in differentiating the subtle nuances of cheatings of different categories; they do not have the capability for it either. It is the generic nature of the act which goes home to them. They know now that the government's hands are not clean. From this, it is but one step forward for them to conclude that those in authority have forfeited the moral right to preach to others. Even were the Indian National Congress not in the habit of receiving on the sly victuals from profiteers and black-marketeers, it would still stand sentenced, given the fact that it cheated on the dates of the Railway budget and the *Economic Survey*. It would raise a horse-laugh if the party were now to warn assorted ragamuffins to behave, or else. Since the ruling party itself does not behave, it is sheer cheek on its part to ask others to do so.

One must not set impossible standards. Politics is a mug's game. Given the disparate nature of Indian society, its caste and class divisions, its linguistic fissures, its vast stretches of illiteracy, and the proliferation within its fold of pressure groups who will not cavil at making the most unscrupulous use of the people's economic difficulties, it can be quite a strain to maintain the immaculateness of democratic principles. Since blackguards abound, scheming and conspiring all the while to do in your system and institutions, you have to pay them back occasionally in their own coin: so could run the argument. But is not the logic reversible?

There is seemingly a general consensus that the country is going down because corrupt elements have come to control its processes: resources crucial for growth are being frittered away on non-basic uses; the politicians having been played into a corner by the crooked ones, and other socio-economic goals such as reducing the gap between the rich and the poor are being jettisoned too. Does not the solution lie, however, in the politicians extricating themselves from the position where they are liable to be blackmailed? The ministers pontificate to others. The pontifications serve no purpose since their own hands are not clean. There is a dividing line between minor acts of opportunism practised in the election season and the grosser ones which offend morality. Politicians, more than anybody else, should know where this line is.

It is this apparent abdication of sensitivity which causes the greatest concern. 'Maruti' is an embarrassing subject, embarrassing as much to the Prime Minister as to others. Objective considerations tend to get mixed up with subjective ones in any airing of the issue. Still, as the electoral fever subsides, certain things can perhaps be discussed in the open. In the matter of Maruti, the Prime Minister has asserted, no favours have been shown and no rules have been broken. She has not quite stopped there: she wished,

Statement about ownership and other particulars about newspaper *ECONOMIC AND POLITICAL WEEKLY* to be published in the first issue every year after last day of February.

FORM IV
(*See* Rule 8)

1	Place of publication	Bombay
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6	Names and addresses of individuals who own the newspaper and partners or share holders holding more than one per cent of the total capital.	Sameeksha Trust, Skylark, 284, Frere Road, Bombay 400 001.

I, KRISHNA RAJ, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Dated February 7, 1974 (Krishna Raj)
Signature of Publisher

she has added, there were other young men who could emulate the example set by her son and do as well. Can the Prime Minister put her hand to her heart and yet stand by her statement? Suppose, for example, another young man with the same breadth of imagination, the same capability, the same inventiveness, but belonging to the anonymity of an even middle-class home, had come forward; is she sure that he would have been extended the same facilities as have been extended to Maruti? Again, there is no need to indulge in hyperbole. We are living in a milieu marked by inequalities. In this milieu, the dispensation of favours, including favours from public institutions, cannot but be skewed. When somebody is the Prime Minister's son, certain special advantages are bound to flow toward his direction. But is one sure that Maruti is just an ordinary case of discriminatory treatment? Is one sure that nothing more is involved — that there has been no arm-twisting, no overt or surreptitious by-passing of established procedures? Is one sure that the official pay-offs to the Raunaq Singhs and the M A Chidambarans for services rendered to Maruti have not exceeded the built-in norms of inequity? Or that the extra solicitation shown by the government of Haryana to arrange for Maruti's factory site has had no extraordinary element in it? Or that the supply of materials for setting up the plant, including such scarce items as steel, has not been smoother and speedier than would have been possible if it happened to be just any other young man? Finally, is one at all sure that any other young man would have ever succeeded in extracting nearly two crores of rupees worth of advance dealership fees?

Let the point be repeated, the astonishing part of the story is not so much the shower of special dispensations upon Maruti, but the brazenness accompanying it. It is when the Prime Minister goes to the extent of suggesting that what has been done for her son would also have been done for any other individual in society if only the latter had shown the same initiative and cleverness, that one can identify a more fundamental dishonesty. Favouritism can be put up with; the pose of nonchalance struck about such favouritism is a hundredfold more exasperating. Nothing is wrong in the postponement of the Railway budget, nothing is wrong with Maruti — these are expressions encapsulating the malaise that has overtaken the polity. At one end, there is continuous churning of populist jargon and hortatory declamation of faith in a dubious, nebulous socialism; at the other end, there is this inability to even recognise that inequities in the distribution of opportunities as much as of assets and incomes have, if anything, intensified during the last few years, and under official auspices. Insensitivity of a particularly deadening kind has entered the soul.

This is a dangerous situation. The rulers have arrived at a stage where they are unable to see the difference between right and wrong, the correct and the loathsome, the genuine and the sham; big indiscretions and little indiscretions have come to co-exist snugly. One is taken aback by the wholesale exhibition of opportunism at all levels of public life. One prays for a re-ordering of manners. There may indeed be room for feeling sorry for the Prime Minister. As long as the moral and the immoral appear as one, the corrupt elements will contrive to be in the fore, and demand and be paid handsome ransom. Such being the case, the Prime Minister will remain awkwardly vulnerable, and will be incapable of enforcing any discipline on others, including on groups and classes. There could be no greater pity, because one sees in the short run hardly an alternative to the kind of political arrangement she had succeeded in putting together, and yet this political arrangement, based as it is on graft and an absolute unwillingness for self-abnegation, can only spell wholesale economic stagnancy and increasing divisiveness in national life.

TENDER NOTICE

Government of Tamil Nadu State

Agriculture Department

Chepauk, Madras 600 005

The Director of Agriculture, Agriculture Department, Government of Tamil Nadu State, invites tenders, for and on behalf of the Governor of Tamil Nadu State, from manufacturers and suppliers in the member countries of the World Bank and Switzerland, for supply of the following items of Well Drilling Equipment.

Sl. No.	Name of the Equipment	No. Required
	(a) *Well Drilling Equipment*	
1.	Hammer drill 200 psi	4
2.	Percussion drill	6
3.	Air Compressor 200 psi	10
4.	Hammer 200 psi	10
5.	Mud pump	10
6.	Hammer 100 psi	20
	(b) *Spares*	
7.	Drilling bit	100
8.	Drilling Jar	50
9.	Hammer bit (100 psi)	50

2. Indian manufacturers of the above mentioned equipment are also eligible to bid and will be given a price preference of 15 per cent, in the comparison of bits *vis-a-vis* the foreign bidders.

3. The Government of India have received a credit from the International Development Association in various Currencies equivalent to US Dollars, 35.00 million towards the cost of the Tamil Nadu Agricultural Credit Project and it is intended that portions of proceeds of this credit will be available for payments under the contract(s) for which this invitation to bid is issued. Payments by the IDA will be made only on approval by the IDA of an application presented by the Government of India in accordance with the terms and conditions of the Credit Agreement and will be subject in all respects to the terms and conditions of the Agreement.

4. The import licence will be obtained by the Director of Agriculture and payment of foreign currency cost and rupee cost will be arranged to be made by the Director of Agriculture as per procedure stated in the tender papers.

5. Those who are interested are requested to obtain copies of the tender papers from the Office of the Director of Agriculture on payment of non-refundable fee of Rs. 100/- per set.

6. The last date of receipt of tenders is 1.00 PM on 17-6-1974 in the Office of the Director of Agriculture and the tenders shall be opened at 3 P.M. on the same day. If 17-6-74 is declared a holiday, then the tenders shall be received upto 1 P.M. on the next working day and opened at 3 P.M. on that date.

7. Tenders will be opened in public, read aloud and recorded in the Office of the Director of Agriculture.

Director of Agriculture,
Chepauk, Madras 600 005.

Dated 25-2-74

Political Dimensions of the Crisis

Romesh Thapar

EVERY year, the last week of February has its normal quota of budgetary excitements and flurries. This time, the titillation is qualitatively different. The elections being held in various parts, including Uttar Pradesh, have brought into play a thoroughly dishonest democratic style which is directly starting a disruption of the economy and the political system itself. Seldom have I heard such widespread abuse of politicians and their ways in circles closely associated with government.

Obviously the month of March is going to be full of developments. Whatever the Budget offers and whichever way the people vote, Indira Gandhi will be compelled to take stock of the political and economic challenges which have crystallised and placed a question-mark on the credibility of her government. This matter of credibility is important; for, without it there can be no national discipline or motivation. It is inseparable from leadership at any level.

Loss of Principle

The erosion of credibility, which has been rather rapid in recent months, is a major handicap to any political or economic correction. Chaotic strikes, demonstrations, stirs, and incipient revolts against authority are pointers to the widespread conviction that the present leadership is corrupt, cynical, and lacking commitments. Equally strong is the feeling that in the pursuit of its narrow, selfish ends, this leadership has lost its principled positions on national questions and can easily be pressurised. One mood feeds on the other, and creates the free-for-all which characterises the situation today.

If there is anything on which everyone is agreed these days, it is that the return to a broad collective striving for certain nationally accepted goals cannot even begin unless there is a solid purge of the notoriously corrupt and patently inefficient among the politicians, the managers, and the bureaucrats. It has to be a wide-ranging purge, unmindful of friends and admirers, ruthlessly impartial, motivated solely by national interest. The plea sounds unreal but then the situation too has deteriorated to an extraordinary extent. There is, of course, still a certain confidence in the capacity of the Prime Minister to turn hatchet-woman.

This is not to suggest that observers rule out the drift to perdition. We are quite capable of imagining that the fortuitous discovery of fairly sizeable oil reserves in the Bombay High area, and the very satisfactory nature of the Indo-Iranian economic collaboration now planned, are ample guarantees that the future will be looked after. The tendency to live on prospects is strong in a lazy, incoherent, and corrupted elite. But the mood of the people might still save us from this self-destructive posture.

Steady Reminders

The thesis that Indira Gandhi and the ruling Congress Party is insensitive to the rising anger of the people is far from the truth. What is said at public meetings cannot ever capture the real anxieties expressed in private. The strike wave, the failure to make essential foods available, the Gujarat revolt, the explosions in the tense Maharashtra, and the possibility of disturbances in Uttar Pradesh irrespective of election results, are a steady reminder of what is in store for a leadership which attempts to live by the *status quo*.

The people are not demanding much. Clean, honest government has come to mean a great deal, and this is significantly the rallying slogan. In our conditions, it willy nilly comes to mean an assured supply of necessities — particularly, the products of a carefully coordinated and supported agriculture —, a steady growth of modernising industry in a balanced manner over the subcontinent with capacity utilisation at well over a hundred per cent, and sufficient military muscle to safeguard the dignity of the nation. A simple programme of grassroots consolidation and growth, and very unlike the big-talk-little-action programmes of today.

In other words, simple as the slogans of correction are, the still dominant Congress Party has to gear itself for important structural changes. Purges are certainly required to get rid of those who cannot focus on these perspectives, whether they be of Right or Left. But it is doubtful whether the moves for re-consolidating with certain elements of the old Congress will yield the kind of thrust that is now needed. Indira Gandhi has to find her strength in the new cadres being thrown up in the struggles of the people — young men and women who might transform the content of politics — rather than in endless manipulation between the discredited. This is crucial to the viability of the present political system.

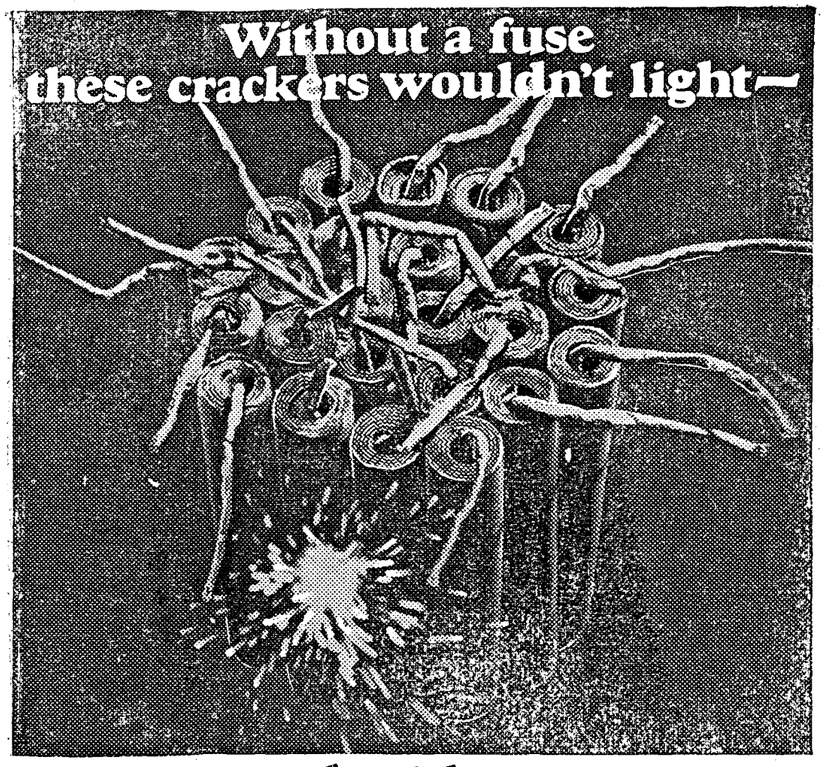
Failure to act will naturally shift the focus of the national debate to whether we can tolerate repeated elections in the states fed by massive doses of black money. Already, there is speculation over whether amendments can be carried to fix elections every four years and to introduce presidential rule wherever a breakdown of the political process occurs. Some talk of the need to move consciously to the presidential system. Others speak of modified schemes of proportional representation. A few even suggest greater powers for the Centre. All this is indicative of deep dissatisfaction, and the desire to cut through the confusions of the present.

To survive, Indira Gandhi will have to provide some of the answers. Upon them will depend the motivation of the work force and the performance of the economy. In other words, in the midst of economic alarums let us keep the political dimensions of the crisis firmly in focus.

February 25

Haryana Coated Papers

HARYANA COATED PAPERS, engaged in establishing a project at Faridabad for the annual manufacture of 1.800 tonnes of art and chromo paper, expects to commence initial production in April or May next. A little delay in completion of the project has occurred owing to delay in the manufacture of one of the machines in the UK on account of a strike in the supplier's factory. Meanwhile, the estimated cost of the project has gone up by Rs 10 lakhs due to increases in the parity rate of French franc, the customs duty on imported machinery, and the cost of land and construction. The overrun in cost is intended to be met by additional financial assistance from bankers and financial institutions.



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BALANCE OF PAYMENTS

Coming Home to Roost

THE drawing of $ 74.4 million from the International Monetary Fund in the name of 'compensatory finance' is only the thin end of the wedge: India's external accounts are about to enter a period of acute turbulence. Recourse to this particular facility is by itself a matter of considerable significance. Compensatory financing was introduced in the Articles of Agreement of the Fund about a decade ago to offer supplementary accommodation to countries experiencing an unforeseen drop in their export earnings for reasons beyond their control. Going by official protestations, India's exports have risen by record proportions in the past two years. If, despite this, New Delhi has approached the Fund for drawal on Special Rights for compensatory financing, it can only mean one of two things: either that, after allowance is made for the depreciation of the rupee against the US dollar and other non-sterling currencies, the proclaimed buoyancy in exports is a sham; or that, at this stage, New Delhi is determined to prevent any nibbling of its regular credit tranches with the Fund which it hopes to make use of later in view of the impending storm. Compensatory financing, after all, is to be had at only half-a-per cent rate of interest.

Such realism is not a day too soon. The Planning Commission has gone into hibernation after completing its academic chore. Its nonchalance notwithstanding, the prospects for the country's balance of payments have worsened several-fold in recent weeks. A committee of the Commission is supposed to offer its judgment on how alternative sources of energy are to be deployed to ease the country's agonies following the steep rise in oil prices. But there is little evidence in official circles that any drastic re-ordering of energy priorities is being contemplated in the short run. The failure of rabi procurement has now been followed by an equally dismal performance in the procurement out of the kharif crop. While the procurement price of wheat is certainly going to be raised in the ensuing season, there is little assurance that the actual procurement of grain would be any better than last year's. Much noise has already been made about the shortage of fertilisers and the reported lack of winter rains — which very likely is the prologue to a substantial drop in wheat procurement, to as low as 3 million tonnes. Even if one were to do with inordinately low operational stocks, an import of as much as 4 to 5 million tonnes of foodgrains would, therefore, seem inevitable if public distribution is to be around 10 million tonnes during the year.

Including gold and SDRs, the the country's foreign exchange holdings are at the moment only about Rs 750 crores. In view of the larger import bill on account of oil and the need for imported foodgrains, the foreign exchange holdings could get nearly wiped out in the course of the next few months in the absence of additional accommodation from foreign sources. This could happen even if the IMF's various credit tranches are fully made use of. For, the bulge on the import bill would be anywhere in the range of Rs 1,000 to 1,500 crores, depending upon the source of import and the order of fluctuations in exchange rates. The country's export earnings, therefore, would have to go up by more than 50 per cent over the year, if this additional strain on the balance of payments is to be readily absorbed.

Beyond Nation's Capability

This is quite beyond the nation's capability. Since the domestic rate of inflation has now exceeded the rate in most of the countries to which our exports have increased in recent years, hopes of further sales of cotton textiles, jute goods, and engineering goods must be properly temperised. The unheaval in the petrochemicals industries around the world, in the wake of the energy crisis, cuts both ways: it could increase the export prospects for jute and cotton textiles, but it could also contribute to the current crisis of production in the country, and thus cut back on exports — especially as no alternative energy policy seems to be in the offing. Considering everything together, an addition of at most another couple of hundred crores of rupees to the country's export earnings during the next financial year could be looked forward to. This would meet only a fraction of the total requirements. At the other end, with the United States Congress turning down the World Bank's request for $ 1.5 billion for the replenishment of the IDA funds, the Bank's kitty too is going to dry up this year. If no other factor were to intervene, the availability of gross aid from the Aid India Consortium countries could even drop from $ 1.1 billion in 1973-74 to about half of that figure next year. In other words, whether or not India wishes to do so the target of zero net aid might yet be achieved in 1974-75. While the requirements of foreign exchange may conceivably jump by more than a thousand crores of rupees, the availability could decline by something like Rs 400 crores, making for an additional gap of close to Rs 1,500 crores or $ 2 billion during the year.

Which way will the Government turn in search of this extra foreign exchange? The Soviet Union has managed to establish a considerable toe-hold in the country: it will certainly not like to give up this advantage. Nonetheless, its ability to offer economic aid to India beyond what has already been put into the agreements signed last November is limited. The Soviet leaders have their commitments to their own citizenry, whose sights are now set on achieving a spectacular breakthrough in consumption standards. Moscow has, in addition, certain obligations to the Comecon countries, and also, to Cuba and sundry other nations in Asia and Africa whom it would not like to see fall in the fold of the Chinese. Thus, much as the Soviet leaders would like to continue obliging India, there are constraints standing in the way: a further sum of $ 2 billion in a single year in any case would not be considered as practical politics.

A return to the regime of PL 480 would perhaps have suited New Delhi best, and it would have been prepared to say good-bye to all its yesterdays to bring about such a *denouement*. But if the American Congress refuses to oblige, even that escape hatch would no longer be available to the pragmatists who currently preside over the nation's destiny. Whether they like it or not, self-reliance might, therefore, be yet forced upon them. But since this cannot take care of the internal maldistribution either of assets, or of incomes, or of commodities, the kind of self-reliance that is in the offing could be accompanied by economic anarchy as well as acute suffering for the majority.

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WEST BENGAL

An Opening to a Joint Front

IN terms of financial benefit, the recently withdrawn 33-day general strike of the West Bengal jute mill workers has been only moderately successful: It has secured an additional lump sum payment of only Rs 55 to each worker, and some other rather minor improvements on the agreement earlier signed by the INTUC leadership. But the significance of the strike for the state's politics is considerable.

First, it has demonstrated that the situation is quite ripe for stable co-operation between the CPI and the CPI(M). Except for a slightly discordant note struck in a press statement issued in the first week of the strike by Indrajit Gupta and Bhabani Roy Chowdhury, leaders of the CPI-led jute mill workers' federation, the entire course of the struggle was marked by full co-operation and mutual trust between the two parties.

Catalytic Agent

Secondly, the strike has demonstrated once again that, in this state, understanding between the CPI and the CPI(M) acts as a catalytic agent to bring about a wider popular front, stretching from the SUC and RSP at one end to large segments of Congress followers at the other. When such mobilisation takes place, the official leadership of the INTUC also loses its cohesion: Important elements in the INTUC leadership then seek to demarcate themselves from the more diehard elements — as witness the conduct of the state INTUC chief, Kali Mukherji, MP, and his closest followers, who maintained an equivocal position throughout the jute workers' struggle.

Thirdly, the jute workers' struggle has imparted the valuable lesson that, if such a wide front of resistance can be forged, it is still possible to withstand official repression and non-official strong-arm violence let loose by the Congress regime against popular struggles. It should be an eye-opener to those who while glibly talking of the semi-fascism of the political system neglect the serious task of building up an active and united front of resistance to the repression.

Lastly, and most importantly, the jute workers' strike has shown that popular struggles have their own, irresistible, logic. It was as a reaction to the Congress government's repressive measures against the jute workers' struggle that the CPI decided to withdraw its nominee, Biswanath Mukherji, from the post of deputy leader of the Progressive Democratic Alliance (PDA). It also announced that it would not campaign for the Congress candidates in the coming by-elections for the three Assembly seats. Mukherji and his followers in the state CPI leadership have long been pressing for the withdrawal from the alliance with the Congress; some months back the state council of the CPI adopted a compromise resolution empowering the state executive committee to withdraw Mukherji from the deputy leadership of the PDA if circumstances so demanded. The more militant wing of the CPI was able to bring about the implementation of this old resolution only in the circumstances of an open confrontation with the Congress regime during the jute workers' struggle.

Now, a situation very similiar to the jute mill strike has been developing in the engineering industry. Again, the Left-led trade unions, headed by CITU and AITUC, are ranged against a common front presented by the managements, the government, and the INTUC leadership. It remains to be seen if the pace set by the recent jute workers' strike is sustained and quickened in the struggle of the engineering workers. For, it would be wishful thinking to underestimate the inertia in both the CPI and the CPI(M).

Significant Step

The still powerful gravitational pull of the Congress on the CPI is evident in the fact that, while relinquishing the deputy leadership of the PDA, the CPI has not dissolved the partnership with the ruling party. Similarly, though it has refused to campaign for the Congress candidates in the three by-elections, it has refrained from directly opposing them. Nevertheless, the advance from an overall identification with the Congress and an absolute hostility towards the CPI(M) to functional co-operation with the CPI(M) and, even if somewhat inconsistent, opposition to the Congress, is a significant step in the path of development.

Compared to CPI's tactical resilience, CPI(M) presents a picture of near-immobility. Since its decision on the morrow of the 1972 election debacles to boycott the Assembly and the elections, the CPI(M) in West Bengal has remained in rather narrow, and mostly negative, confines. The party has done little to help the articulation of the mass discontent that has been associated with the deepening economic crisis. On the contrary, the dominant section of the top leadership of the state CPI(M) seems entangled in inner-party wrangling. They frown upon even timid questioning of the party's past and present postures by the rank and file. There have been instances of disciplinary measures and stern admonitions on rather dubious grounds against tested party workers, and many activists have been browbeaten into silence — and inactivity. Unless the CPI(M) leadership opts for a measure of introspection and re-orientates itself for the task of developing the new impulses in the politics of the state, the hopeful growth of new Left front cannot but be impeded.

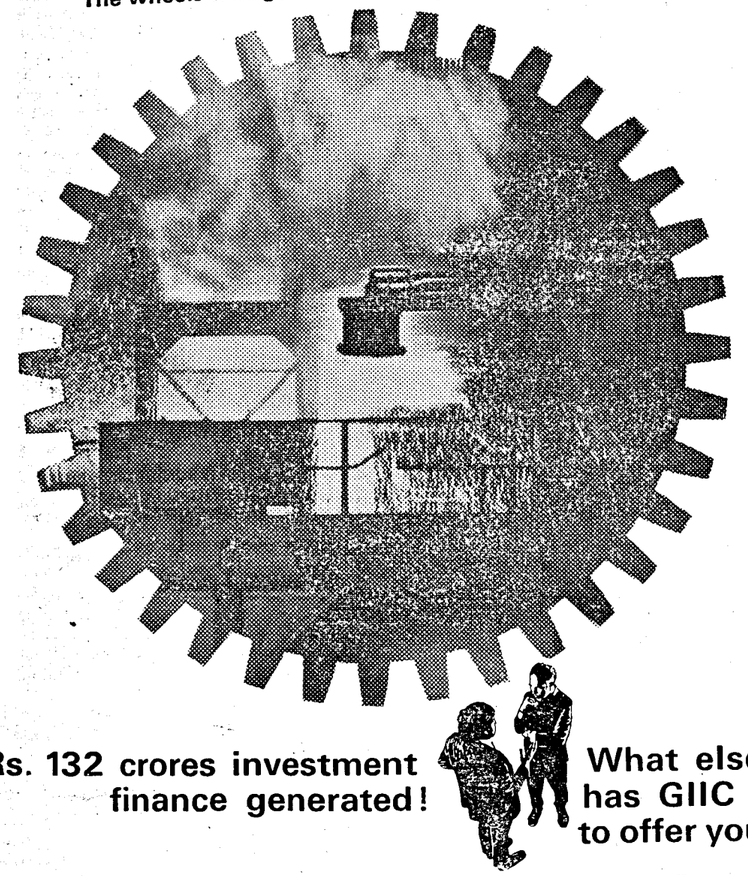
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Even allowing for the factional inspiration behind them, the outpourings of Priya Ranjan Das Munsi — MP and President of the All-India Youth Congress — to a recent gathering of students and youth in Calcutta stand out for their outspokenness. "I say without hesitation", said he, "that we made quite a few mistakes in the movement for socialism. There can be no socialism within the present system. We bluff the people when we say that socialism is coming."

This wing of the Congress is in fact closely co-operating with the CPI in some of the programmes of mass action. They took part in the agitation for the extension of statutory rationing to the South-western suburbs of Calcutta, which met with fierce police repression, including firings. Two persons were killed and many others injured. Yet, this wing of Congress youth withstood public pressures from the state Congress leadership seeking to dissuade them from joint action with the CPI.

So, the CPI can claim a measure of success for its policy of Left and democratic unity — ranging from CPI(M) to progressive Congressmen. However, what has been achieved, has been achieved as a result of the confrontation with the Congress establishment and through an opening on the Left towards the CPI(M).

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KERALA

League in Turmoil

THE stresses and strains of 1973 ended in glory for Kerala when its youthful football team lifted the Santosh Trophy for the first time in its history by defeating Railways in a closely fought match. The day was memorable not for the magnificent victory alone, but also for the opportunity it gave people to watch free of cost the largest number of cars, including the latest model Impalas, ever seen in this part of the country, parked in the maidan outside the playground. The elite class of smugglers, black-marketeers, tax-evaders, corrupt bureaucrats and party bosses were there to demonstrate their wealth and prowess !

•

Meanwhile, the health of the United Front government is causing anxiety. Doctors have seen similar cases lingering indefinitely and at times collapsing unexpectedly. The latest bulletin is hopeful about the patient's recovery as his will to survive continues to be strong. The setback this time was due to the efforts of the Muslim League and the CPI to deflate the Youth Congress. The League has its own internal problems. To cover them up, it has to make common cause with some party — in this case, the CPI. The League has alleged that one of its workers was killed by the agents of a Congressman known as the Lord of Panur. The League has made the murder a major issue of law and order and even wants the Congress Home Minister to be stripped of his portfolio. Congress circles, on the other hand, allege that the League is in secret alliance with the CPI(M) to topple the Lord of Panur. The Congress was, however, asking for trouble when it encouraged a Muslim Leaguer, who had become a member of the Calicut Municipality and later the deputy mayor with the support of the CPI(M), to defect to the Congress group in the Calicut Municipality. That was enough for the League to break away from the alliance with the Congress in the Municipality.

At least one Muslim League minister in the UF cabinet has also come under attack. A public-spirited Muslim gentleman, evidently under inspiration from some unknown source, deposited Rs 500 with the Chief Secretary demanding an inquiry into certain allegations against Chakkeri Ahmedkutty, who succeeded Mohammed Koya as Education Minister. And the irrepressible M M Hassan, the President of the Kerala Students Union (Congress), demanded the removal of Ahmedkutty from the Education Ministry. Not to be left behind the Youth Congress, the CPI demonstrated in a well-organised and largely attended all-India show in Ernakulam that it was not without a following among youth and students. Apparently, this has irked the Youth Congress which does not wish to admit that it is not the sole representative of youth. But, without a proper ideology, Congress attempts to outbid the Communists are not going to take it too far. Having succeeded in making the Assembly take up the Kerala Agricultural Workers Bill, the Youth Congress is launching mass agitations for fixing a ceiling on urban property, for discontinuing overtime payments, for legislation to stop subdivision of estates and for the creation of a Forest Authority. But priorities in taking up these matters have first to be decided by the liaison committee of the ruling parties.

Topical Subject

The two subjects which are of the most topical interest to the people of Kerala, however, are the activities of the Shiv Sena in Bombay and the Kerala Agricultural Workers Bill. Kerala has close links with Bombay. There is hardly any middle class family in Kerala which has no connection with that city which is considered to be the commercial capital of the country. The trend of discussions in the Kerala Assembly was along the following lines: Constitutionally, every citizen of India has the right to accept employment in any part of the country and to carry on a profession of his choice; a state may have practical difficulties in employing people from other states in public services in preference to its own people, but concerted efforts to stop people from other states seeking employment in central and commercial establishments of all-India import are unjust; such efforts become dangerous when fascist methods begin to be used in furthering discriminatory practices; has not the Maharashtra government a duty to protect the life and property of the people of different regions, faiths and languages living in Bombay? The Chief Minister added his bit in true parliamentary style to the emotion-packed speeches of members of all parties and said that the only way out of this dismal situation was to arouse and mobilise a strong public opinion against undemocratic and fascist tendencies. He stated that "it is not enough to pass a resolution and seek the Centre's support. We also have a responsibility to fight against these tendencies in a spirit of sacrifice and see that the reactionary forces are not allowed to destroy the democratic framework". In conclusion, he fervently appealed to democratic sections all over the country and in Maharashtra itself to raise their voice and to create a congenial climate for the minorities to live without fear. He did not, of course, raise any wider issues. He did not care to ask whether a congenial atmosphere could be created in Bombay or elsewhere when growing unemployment, rising prices, chronic food shortages and widening inequalities stare people in the face? Nor did he enquire whether it was possible to isolate the Shiv Sena problem from the economic malaise that the country is passing through or to find a solution by reducing it to a mere problem of law and order.

Laudable Objectives

The other subject that is engaging much attention is the Kerala Agricultural Workers Bill now under consideration by the Assembly. This Bill has been introduced largely due to pressures emanating from the Youth Congress. The laudable objectives of the Bill — fair wages to rural workers, job security, better conditions of service such as fixed working hours, and a contributory benefit fund — cannot be questioned. But it is clear to anyone with any knowledge of the agricultural situation that such objectives cannot possibly be effected through a piece of blanket legislation. Differences in soil conditions, uncertainties of weather, the seasonal character of agricultural operations, multiplicity of crops and their varying earning capacity, and the differing levels of agricultural technology, will make this Bill impossible to implement in practice. Some critics of the Bill even go to the extent of saying

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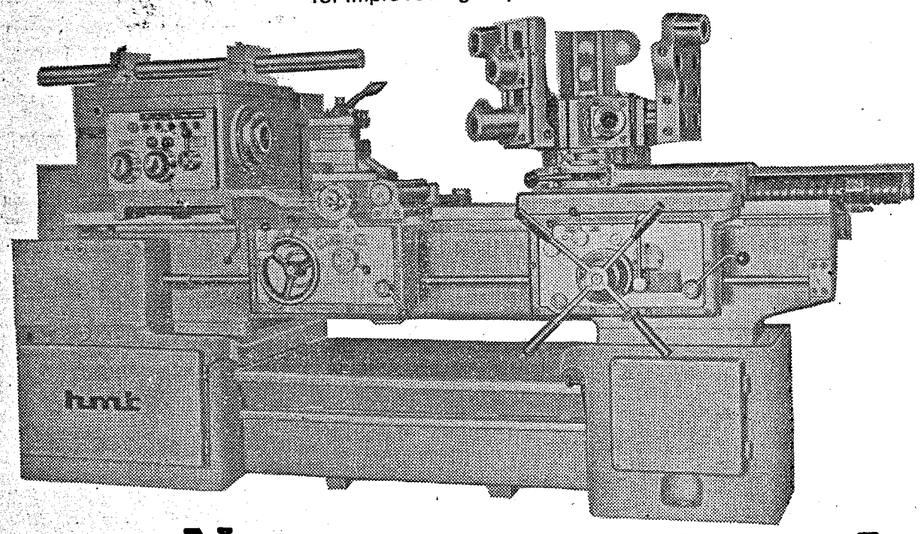
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that in its present form it would bring agricultural production almost to a grinding halt.

The CPI(M) also regards this Bill as ill-advised. However, the CPI(M) feels that the class composition of the agrarian population in Kerala is particularly favourable to building a broad-based militant movement of rural workers and small peasants in the march to socialism. The CPI(M) has arrived at this conclusion partly from an analysis of the 1971 Census for Kerala. Between 1961 and 1971 the owner-cultivator class declined from 20.9 to 7.9 per cent of the total population while the percentage of agricultural labourers increased from 17.9 to 30.7 per cent. Meanwhile, non-agricultural labour decreased from 61.7 to 51.4 per cent. (A good proportion of this non-agricultural labour is engaged in low income primary occupations such as coastal fishing, retting of coconut husk, etc.) Moreover, 59.7 per cent of the owner-cultivators own below one acre of land. And the area of land owned by this group is only 12.4 per cent of the total cultivated area.

There have been attempts to ensure that the Bill is implemented on a selective basis in a few areas, such as Palghat and Kuttanad, the two strongholds of the CPI(M). The intention of these attempts is to weaken CPI(M) influence in its strongholds and to prevent any likely electoral adjustments between the CPI(M) and the Kerala Congress which has a large membership of small farmers. But the Minister for Agriculture, who is piloting the Bill, and the Pradesh Congress chief, A K Antony, claim that it will usher in a new era of peace and prosperity in the agricultural sector which is the backbone of Kerala's economy.

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In the industrial sector, the Kerala Electronic Development Corporation has assembled its first television set with the technical collaboration of the Electronic Corporation of India, a public sector undertaking. This has been done in record time. ENCOS, an engineers' co-operative, after persistent efforts to develop a scooter on its own, has eventually found it worthwhile to enter into a technical collaboration with Scooters India Limited, another public sector organisation, to assemble Lambretta scooters. A few weeks ago, a telephone cable factory was commissioned in Kerala with the technical help of Hindustan Cables. This, perhaps, is a better way of bringing about industrial development in backward states than sitting in a queue in the waiting rooms of captains of private industry who dictate their exorbitant terms for collaboration.

TAMIL NADU

Election Antics

DURING the past few months, while prices have soared, commodities have disappeared from the market, and government has threatened to raise bus fares, Tamil Nadu's elected representatives have been busy playing at defections — a game, until recently, far less popular here than in the northern states. Mathialagan, the former Speaker, who a year ago had been most unceremoniously eased out of office — his microphone being switched off and his bell being seized — was softly back in the DMK fold. His petition in the Supreme Court, questioning the validity of his removal as Speaker, has been withdrawn. Rumours are rife that he will soon find his way into the cabinet. The Deputy Speaker, on the other hand, who had been the villain of the Mathialagan piece and who would have been the star witness for the government had Mathialagan's case come up for hearing, recently walked over to the ADMK, after prolonged negotiations had failed to procure for him either the post of Speaker or that of minister. There have been several other less dramatic walkovers: a CPI man walked into the DMK, the state secretary of the Swatantra Party joined ADMK, a Congress(O) man and editor of a Tamil daily turned his pen overnight against his erstwhile guru with bitter venom, and Rani Annadurai — wife of the 'Wise One' — candidly declared that she was walking back into the DMK since the government had extended her term in the Council. The Chief Minister was moved to call this last turn-around a victory for 'family ties'! The defection of two ministers from Pondicherry was well-timed to facilitate President's rule in the state just before the election. However, the general trend of defections shows the DMK to be a slowly sinking ship.

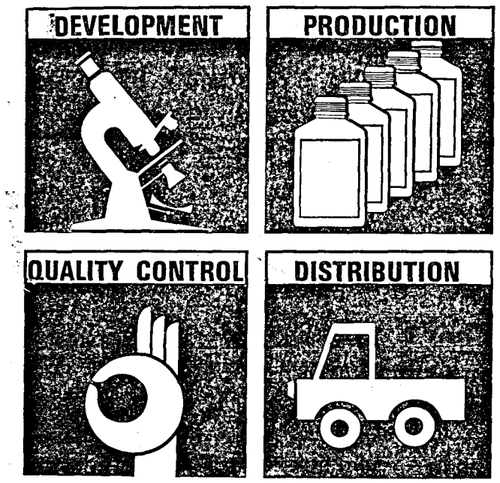
The Dindigul election results about six months ago had seemed the swan-song of the DMK. But the government managed to linger on and even to put on a "couldn't care less" facade, though the party's morale was badly shaken. What made things easier for the government was the weakness of the opposition. In particular, the leadership of the major opposition party, the ADMK, has faltered and fumbled under the 'iron hand' of the Chief Minister. ADMK's chief, M G Ramachandran (MGR), used to revolutionary rhetoric only on the silver screen or on public platforms and with no experience whatever in leading a mass movement, seems taken aback and even scared by the tremendous mass enthusiasm engendered by his calls and the ensuing repression of it. His political strategy now seems limited to winning the fourth-coming by-election and waiting for the 1976 general elections when he hopes to teach Karunanidhi a lesson. As for the other mass party, Congress(O), headed by Kamaraj, its long established aversion for mass actions — except when these can be unscrupulously tailored to suit the interest of the 'great leader' — prevents it from undertaking any genuine extra-electoral programme against the government.

Strong Criticism

Despite the ineffectual opposition, Karunanidhi has his hands full. The two judicial enquiries, instituted into the death of a student at Palayamkottai and the Clive Hostel incident of last year, have come out with strong criticism of the police and other state government officials for use of excessive force and dereliction of duty. State wide student agitations, demanding the Chief Minister's resignation on this issue, have led to large-scale suspensions, dismissals, arrests, and finally to the customary closure of schools and colleges. However, handicapped by the absence of a bold leadership — indeed, MGR, who has a massive student backing, appealed to them to leave politics to him and to go back to their books — and riven by the conflicting interests of political parties, the movement has petered out.

Meanwhile, another blow to the ruling party has come in the form of the 'muster-roll scandal' of the Madras Corporation. More than Rs 15 crores are reported to have been involved in graft during the years of the DMK con-

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trol of the Corporation, in the form of fictitious wages to fictitious casual workers. The amount is said to have been shared among peons and clerks and Chief Electrical Engineer and Councillors and Mayor in a highly systematised manner; in fact, in the true spirit of brotherhood, the Congress(O) councillors, too, are said to have been given a share in the spoils.

When the bubble finally burst, the surprise was not that it had gone on for so long on such a wide and organised scale, but that it ever came to light at all. The exposure is attributed to a falling out among thieves. The total number of persons arrested upto now is 68, including 2 former mayors, 1 deputy mayor, and 10 councillors — among them the chairman of the Taxation Appeals Committee and leaders of the DMK and Congress(O) municipal parties. Several of them have evidently amassed lakhs of rupees under public auspices with the customary arrogance of ruling-party politicians. Donning surprise at the extent of the scandal, Karunanidhi has sought to claim credit for having arrested so many of his own party men in an unbiased exercise of justice. Still, the high-powered guilty have gone about scot-free.

It is against this backdrop that the party manoeuvres to arrange alignments for the elections to take place in late February have to be viewed. The elections are for the Coimbatore and Pondicherry Lok Sabha seats, for one Coimbatore Assembly seat, and for the entire Pondicherry legislature of 30 seats.

Bone of Contention

The setting has changed considerably since Dindigul. The merger of the two Congresses — though disguised as a mere electoral alliance — joins Kamaraj's popularity with Indira's resources; but while such unity has made a many-splendoured thing of the election campaign, its ability to ensure success is a different matter. On the other hand, the ADMK-CPI-CPI(M) electoral understanding of Dindigul has cracked up over the question of the former allies' attitudes to the Congress and to the Coimbatore Parliamentary seat. The latter became a bone of contention — the CPI(M) claiming it as its traditional stronghold (a fact not seriously disputed by the other two parties) and the CPI not conceding it allegedly because of 'sentimental' reasons such as that the seat was vacated by the death of its own party man. Neither party was interested in the Pondicherry parliamentary constituency as an alternative to Coimbatore: CPI(M) has no base there, and CPI is reluctant to put up its candidate in a constituency rendered vacant by the death of no less a person than Mohan Kumaramangalam. On the whole, CPI(M) contested the fewest number of seats — one Parliamentary seat in Coimbatore and three Assembly seats in Pondicherry, where it considered it possible to further consolidate its strength through electoral campaigns.

Any possibility of the CPI(M) compromising on the seats question with a view to strengthening the anti-Congress/anti-DMK front of Dindigul had disappeared, given the obsequious overtures to the Indira Congress made by MGR himself. Not that MGR had ever been unequivocally against the Congress. Only the totally unrealistic confidence of the Indira Congress that standing on its own it could sweep the electorate, had forced the ADMK to oppose it in Dindigul. For the coming by-elections, MGR had left the door open for entering into adjustments with the Congress in several constituencies until the last moment, though the Congress had cold-shouldered his advances.

Setback to Progressive Forces

ADMK's fancy for the Congress — united or split — has, however, suited CPI's own prevarications admirably. The entire basis for the latter's alignment with the Indira Congress after the 1969 split, has been thrown overboard by this *de facto* merger in Tamil Nadu. But CPI's pro-Congressism has weathered several such disasters. In this context, the break-up of the Dindigul front is a severe setback to the progressive forces in the state and a pointer to the possible resurgence of the Congress in the future. It is significant that the Indira Congress, which recently labelled the CPI(M), along with the DMK, as the main enemy of the people, is said to have warned the ADMK leaders that any truck with the Marxists would be considered a grave misdemeanour by the leadership.

DMK's nervousness about the outcome of the poll was seen, in its hesitation, until the last moment, to contest the two prominent parliamentary seats. Realising that the ADMK presents a greater threat to it than even the united Congress — the ADMK victory a second time would surely herald a major exodus from the DMK — and urged on by personal hostilities, the DMK made a frantic search for allies. When the Congress turned a deaf ear to its solicitings, the DMK began to woo the Marxists vigorously; but to no avail. Its last desperate bid to support the Socialist Party candidate for the Coimbatore seat, in the hope of gaining the Marxist backing for it, also proved abortive.

Blood-Curdling Speeches

The continuation of the strike by the one and half lakh textile workers since February 1 — despite the Government rendering it illegal by referring the long-pending dispute to adjudication, and the open and familiar betrayal of the workers by the INTUC and the DMK Union leaders — is certainly not likely to brighten DMK's own electoral prospects. As many as 85 of the 208 mills in Tamil Nadu are located in Coimbatore. Even though the Strike Action Committee, including the HMS and AITUC, compromised midway by agreeing to the Government's proposal, and expelled the CITU from the committee for openly censuring the committee for the agreement and for continuing the strike, no solution is yet in sight. Only a fraction of the workers have resumed work.

Once again, the people of Coimbatore and Pondicherry are being treated to wearisome election antics. Overnight, new facilities have cropped up only to disappear the morning after. Quantities of rice have moved into Coimbatore against much opposition, even from a district like North Arcot suffering from acute scarcity of foodgrains and exorbitant prices. Officials have announced that petrol will flow like ditch water in these temporarily blessed places so that Asia's 'largest democracy' can maintain its major democratic traditions without letting minor irritants get in its way. Campaigning politicians are vying with each other to make speeches in blood-curdling 'revolutionary' verbiage. Meanwhile, prices have continued to soar and kerosene has become more difficult to come by. Commodities of all sorts continue to go underground and adulteration flourishes in everything from foodgrains to petrol And the 15,000 strong Simpson workers are getting ready for another round in their three-year old struggle against the state government's policy of victimisation and repression.

February 22

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Delicate Balance

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AS Andhra settles down temporarily after its storm, some of the rumble from Gujarat reaches the South. Of course, the character of the movements in the two states was entirely different; above all, the nature of the contending sides. But there is a similarity as well as the difference; and that is the sameness of the Congress collapse. The Congress in the Gujarat Assembly had as enormous and comfortable a majority as it had in Andhra. But this proved to be of absolutely no avail. This is something that all of us have to ponder over.

Within the country the vastly increased radicalisation of the masses, the increasing activity of the organised working class, the start of democratic stirring in the countryside and the unity of the masses in action are all more than hopeful factors. A recent, rapid visit through the states traditionally called 'the South' — barring Karnataka — brought ample confirmation of these trends.

Kerala had been passing through a most difficult time with food shortage threatening to break down the entire system of rationing. The CPM in alliance with the Kerala Congress tried its utmost to bring down the government through the manufacture of chaos — including Namboodiripad squatting inside the Assembly and looking utterly miserable —, but failed to evoke any significant response. Some hot-heads among the Youth Congress sought to push forward their factional interests by issuing somewhat disturbing statements, but had to cool off. It is not that there is no mass discontent in the state. It is there in very ample proportions. But there is also the very widespread feeling that the best chance for change in Kerala lies in the instrumentality of the present coalition government. This is, above all, reflected in the dimensions and the nature of the Chief Minister's popularity. Achuta Menon, a CPI leader, has become the national leader of his people. Not that the government does not bungle. Not that the government is not trammelled by the vagaries and constraints of New Delhi. But it has earnestness and purpose that is beyond any other state government.

In Tamil Nadu, the popularity of the ADMK leader continues and continues to reflect the shift in the mood of the petty bourgeois urban-rural poor continuum which had given the DMK its strength. The DMK is quite clearly a sinking ship going down because of its inability to understand that the logic of its existence required it to be allied with the organised working class and the rural proletariat and semi-proletariat — and not to seek to dominate the latter as the admission fee to the big capitalist club. The attempt of the Congress to redefine its identity and to metamorphose itself into the Kamaraj Congress is still on trial. It cannot be said to have been as crashing a failure as the attempt in Dindigul to go it alone. But the argument, that the Congress cannot play second fiddle to anybody — i e, to the ADMK —, does not hold water since it is the virtual disappearance of the Congress into the Congress(O) which is now taking place. It appears as if this experiment is not likely to pay off in Coimbatore, where the CPM too is likely to find itself cast more in the role of a disruptor rather than of an independent force. In Pondicherry, the going appears to be rougher for all concerned. But, whatever the final electoral result (and to try to predict them is more astrology than scientific prognosis), the decline of the DMK, as it had turned out to be under the quite degenerate leadership of Karunanidhi, is to be altogether applauded. It had become the most clear vehicle of Right reaction. It is more than likely that the Right would now look around for other vehicles — the Congress(O)-Congress alliance being the first preference. But this would take a little time, and meanwhile Tamil Nadu has a chance to shift towards the Kerala pattern. But with one major difference and disadvantage — the weakness of the organised Left and the inability of the working class to play the political role that its position in Tamil Nadu's economy and its sheer numerical strength and industrial composition entitle it to. Incidentally, this working-class lag in Tamil Nadu is not unique to it. On the contrary, it is part of the present danger and sense of impending catastrophe that looms over our country.

In Andhra, the situation is quite specific. The induction of Vengal Rao as the Chief Minister comes after the traumatic experience of the separatist movement which saw the virtual disintegration of the Congress organisation and its coming together again with separatists occupying powerful positions in the Ministry. But Andhra has also been through the experience of the defeat of the separatist movement, i e, of a fierce Right offensive. This has naturally raised the prestige of those sections of the Left, particularly the CPI, which went on the attack against the Right. It has also demonstrated that, if, despite initial wobbling and mismanagement, the Centrists do demarcate from the Right and do align (however discreetly) with the Left, the Right can be contained, curbed, and defeated. This, too, contains immense potential for the future. There is, therefore, reason to believe that the Centre can be pushed to the Left on many issues; not without sharp struggles, not without powerful mass mobilisation, and not without all manner of hitches; but this promising possibility does exist. The crucial issues in this state are radical land reforms and the thrust forward on the development front. Without significant progress on these two fronts, Andhra cannot hope to overcome the recent bitter legacy of the two separatist movements. There is an air of expectancy that something is going to move, after almost three years when hardly any development at all took place. It remains to be seen how much the new Chief Minister is going to do, and how soon, of these two vital tasks. He has a reputation for quick decisions, has been a staunch integrationist, and has certainly delivered good speeches especially in reply to the Assembly debate on the Governor's address. Interesting decisions have been taken with regard to certain corruption cases, some of which seem to involve Brahmananda Reddi and his group. But it is action on the agrarian reform and development fronts that are eagerly awaited. Of course, merely waiting is altogether inadequate. Purpose and programme-based mass actions are the need of the hour.

All in all, taking the country as a whole, the view from the South seems to present a rather more cheerful picture than the rather sullen-laden atmosphere of the North. But while undue pessimism should be avoided in the latter region, there is no reason for complacency in the former area. The balance in India as a whole is so delicate that the utmost vigilance and united mobilisation are required. One should prepare for the adverse tilt, but one's duty is to strain to one's capacity for the tilt to the Left.

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BANGLADESH

The People: Enemies of the Government

M R

POPULIST regimes in South Asia owe their existence to the aroused expectations of the masses. But almost as a rule, the regimes have overplayed their gimmicks and the Left-of-Centre slogans have proved counterproductive. The popularity of the regimes has gone hurtling down and the popularity of the leader has plummetted though less steeply than that of his or her regime. All of them now confront a high tide of popular frustration.

Unable to fulfil their promises to the masses and unable also to contain mass discontent, these regimes would have to seek sweeping extra-constitutional and extra-parliamentary powers for themselves, even though their exercise would imply blatant subversion of bourgeois democratic norms. The bogey of a Chile-like situation is about the easiest thing that can be conjured up as an alibi for the relentless drive towards such new authoritarianism. Yet, whatever his failings and errors, Allende did try to implement his programme, and domestic reaction and United States imperialism were out to subvert his populist regime. In South Asia, on the other hand, there is no threat from the Right or from imperialism to any of the populist regimes — because none of them has had the intention, much less the will, to attempt implementation of the populist programmes that swept them into office. The Chilean tragedy thus becomes a perverse alibi for eroding the democratic rights, and for accelerating the shifts towards new authoritarianism. It is important to note that the drive is against the extra-parliamentary or extra-spectrum Left. There is evidently no need to equate 'Right reaction' with 'Left adventurism' any longer because the extreme Left has been identified as the main enemy by these regimes.

Except for a four-year interregnum, India has been under a state of emergency since 1962. The state can arm itself with enormous powers to supplement the archaic and repressive laws which the British have left behind. In Sri Lanka, an emergency was clamped down even before the Che Guevarist insurgency of April 1971 and it continues to this day. The insurgency only provided the opportunity for acquiring more draconian powers. Bangladesh, barely 27 months old, is well set on the road towards authoritarianism. Its constitution provides for emergency powers, but Sheikh Mujibur Rehman has had no inhibitions about matching President Ayub Khan or President Yahya Khan.

The political preparation for the new authoritarian drive began with the formation of a compact between Mujib's National Awami League, the Moscow-leaning Communist Party of Bangladesh, and the pro-Moscow National Awami Party (Muzaffar group) — ostensibly to meet the combined challenge of Maulana Bhashani's National Awami Party, the petit bourgeois Jatiya Samajtantrik Dal, and various Maoist groups and formations. These latter forces are charged with attempting to destroy the confidence of the masses, to disrupt the administration, and to create a power vacuum for exploiting the popular discontent and the deteriorated economic situation.

For the first time in the subcontinent, the civilian population was armed by the government of a country, while professing Gandhian non-violence. And again, for the first time in the subcontinent, armed struggle by a civilian population acquired legitimacy. Though the Bangladesh guerillas fought the Yahya regime, Indian arms returned the Awami League to Dacca. The freedom-fighters were sought to be disarmed but, according to a conservative estimate, there are at least 80,000 unlicensed arms in Bangladesh and over a 100,000 citizens trained in the use of arms. The arms can be claimed but not the training nor the belief in armed struggle.

How has the Mujib government gone about solving the problems the young republic faces? It has launched an all-out military operation to flush the extremists out; but this is more than a military operation. It is a relentless onslaught on the democratic rights of the people as a whole, under cover of containing 'extremist' subversion.

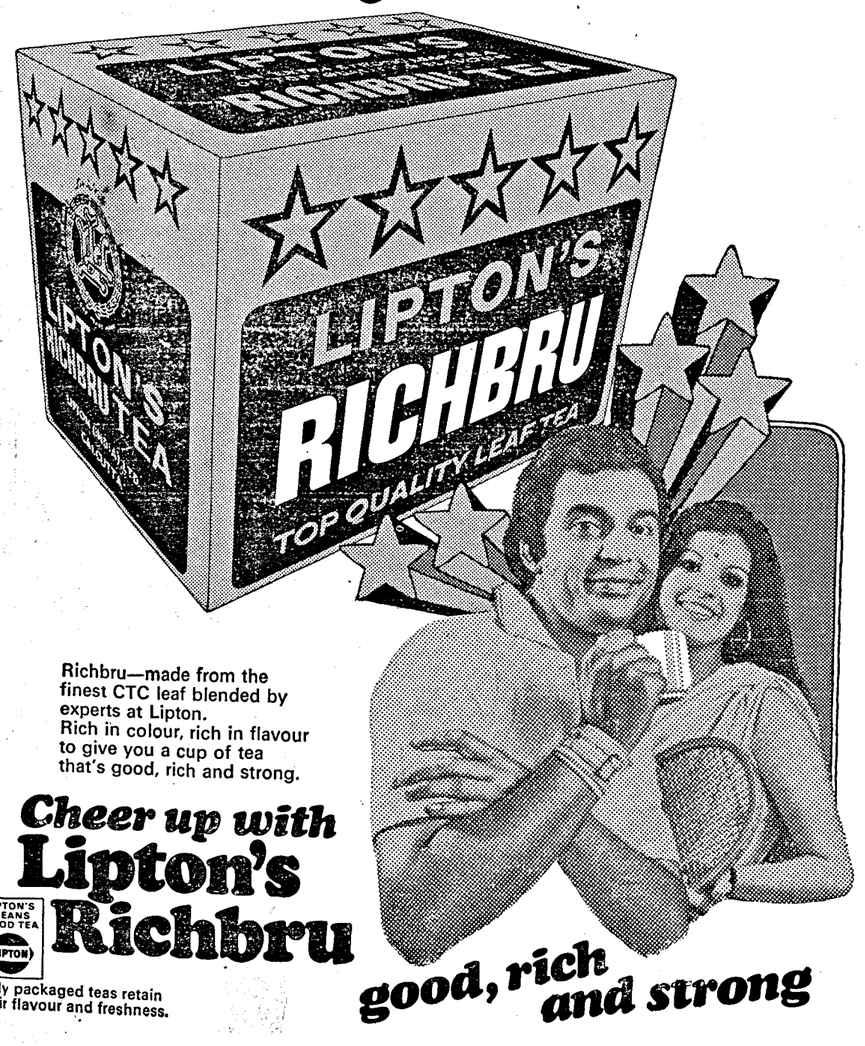
A few weeks ago, over 36,000 detained for 'collaborating' with the military regime were freed, perhaps to make room for the Lefists to be rounded up. Bangladesh already has 20,000 Leftist political prisoners. The Jatiya Rakkhi Bahini Act was passed to enable the private army of the National Awami League (the Rakkhi Bahini) to search, detain, and arrest any citizen without a warrant. The Rakkhi Bahini men are immune from any judicial supervision in their activities indulged 'in good faith'. In other words, the Rakkhi Bahini men would be free to continue their war against political opponents and even physically liquidate them without sanction from any court or authority. Article 3 of the Act quite simply says: "No suit, prosecution, or other legal proceeding shall lie against any member of the Rakkhi Bahini for anything which is in good faith done or intended to be done in pursuance of this order or rule made thereunder".

During the initial years of Pakistan, the Nazimuddin and Nurul Amin governments had their own private armies in the Ansars. Yahya Khan had his in the Razakars who indulged in rape, arson, and murder, when resistance to the military regime was on in 1971. The Rakkhi Bahini is the National Awami League's version of the Ansars and the Razakars. The need to pass the Jatiya Rakkhi Bahini Act is an index of the isolation of the government from the people. One of the coercive instruments of the ruling party is thus sought to be immunised from the courts which derive their authority from the constitution. This perhaps has no parallel.

The Mujib government indeed excelled the Ayub regime on February 5, when it enacted the Special Powers Act incorporating the most obnoxious provisions of the infamous Press and Publications Ordinance of the military regime and even going farther to empower government to jail or fine anybody for printing, publishing, or distributing 'prejudicial' reports. It also empowers the government to compel the persons concerned to name the author and the source of such a report. And, for good measure, it provides among other things for pre-censorship of the Press.

The people of what now constitutes Bangladesh had their first free elections barely a year ago. The first casuality of the massive mandate the National Awami League is paradoxically the democratic rights of the people even before the year is out! Perhaps the developments in Bangladesh point to the direction in which other populist regimes in the subcontinent will move when they find they cannot fulfil their promises to the masses. Extra-constitutional and extra-parliamentary powers belong to the methodology of the new-style of 'countersubversion'. Nothing underlines the crisis of Left-of-Centre politics better than the latest assault on democratic rights in Bangladesh.

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A Triangular Relationship

M S Prabhakar

Politics of Sino-Indian Confrontation by Mohan Ram; Vikas, Delhi, 1973; pp 241; Rs 30.

MOHAN RAM's thesis of course is not very original, since he had formulated the same thesis, in a slightly different context, in two of his previous works on the Maoist trend in the CPI. But the points made in a rather general way in those books — more or less as asides — are more fully formulated in this work. It is of course well known that the differences between India and China over the present border have been mainly a legacy of British imperialism. India tried to present a posture of injured innocence which, initially anyway, earned the country a lot of sympathy in the 'free world'. But the 'revelations' by many of the leading Indian participants in the events that led to the conflict of 1962 have given the lie to this posture of injured innocence. Almost all objective students of the conflict are now agreed that to a large extent, it was India's obduracy that forced the conflict; that this obduracy was hardly matched by military, let alone political, strength; that under the circumstances, the Indian debacle of 1962 was inevitable.

But not all the voluminous White Papers, nor the not-so-secret leaks made by interested self-justifiers in the New Delhi government tell us the whole story. There are indeed murkier aspects to it. That the Soviet Union has been, even from its pre-revolutionary state as Tsarist Russia, closely interested in India's northern borders, is no great secret. But the consistency with which it has kept its interest alive, through all these years, is noteworthy.

Mohan Ram's book is concerned with this Soviet role in the changing patterns of the Sino-Indian relationship. That the Soviet Union's attitude towards its fraternal ally was always rather wary admits, in the light of developments during the last decade, of little doubt. But the extent of the role of India in at least marginally influencing the trend of Sino-Soviet relationships comes as a surprise. This country has been, or rather is, indeed a power of sorts. As long as the Soviet Union considered the transfer of power by the British as a nominal gesture, there was little chance of this assessment of India affecting the Sino-Soviet relationship. But with the endorsement of the line of national democracy under the hegemony of the national bourgeoisie in the newly independent countries, a 'radical' variation — revisionism — was introduced into the Leninist theory of peaceful coexistence. The latter postulated peaceful co-existence as an instrument to sharpen and intensify class struggles; the revisionists, notwithstanding the rhetoric and rationalisations, had abandoned class struggle.

Taking off from this thesis, Mohan Ram traces the seemingly plain and obvious, but inwardly tortuous path of Sino-Indian relations, and the way the Soviet Union, in one way or the other, intervened at each and every crucial stage of this relationship. The differences over the border came into sharper focus almost simultaneously with the first visible signs of ideological differences between China and the Soviet Union. In fact, the existence of a far more serious border dispute between China and the Soviet Union came to be widely known only after 1962, and the Sino-Indian conflict undoubtedly influenced the sharpening of Sino-Soviet differences. In the decade or so since then, the attempts on the part of India to mend its relations with China have invariably been confined to reiteration of meaningless formulas, expressions of vague hope, etc. India's relations with China are now inevitably linked with the ideological differences (as well as differences over the border) between the Soviet Union and China. And the Indo-Soviet Treaty of 1971 has more than ever limited the 'policy options' that, at least in theory, India once had before 1971.

The most interesting part of Mohan Ram's book should have been his account of the impact of these international events on the domestic politics of India, especially their impact on the communist movement in India. But unfortunately, his remarks on this question do not take us anywhere beyond the points he has already made in his earlier books.

The same thing has to be said regarding his account of the impact of this triangular relationship on the events that led to the emergence of Bangladesh. A major flaw, it seems to me, of his treatment of these events, is the insufficient attention he gives to the internal pressures and tensions within Pakistan, especially West Pakistan. Here too, the different ways in which India, China and the Soviet Union have had to react to political trends in West Pakistan, could have been highlighted more sharply. (Though Mohan Ram's concern is with the politics of Sino-Indian confrontation, he would be the first to agree that this question is inextricably linked with the politics of Indo-Pakistani confrontation.)

Particularly noteworthy is the role of the Soviet Union in West Pakistan; its achievement there seems to be far more remarkable than that of China, which is often accused by liberals and progressives as being unduly partial to a regime that is alleged to be anti-democratic. The balancing act of the Soviet Union *vis-a-vis* India, China and Pakistan, is a far more impressive feat of political jugglery than anything that China has achieved in that direction.

Altogether an admirable book. But I have two small complaints to make. The book should have been better read in proof; I stopped counting the misprints after a while. This is a minor irritation for which one cannot perhaps hold the author entirely responsible. But the jargon at least could have been avoided or at least used sparingly. Jargon provides an easy way out from the strain of clear thinking. It should be possible, especially for political analysts as gifted as the author of this book, to write a book dealing with current problems without stuffing the book from end to end with meaningless expressions.

Books Received

Foster, Douglas W:
- (i) Corporate Management; pp 163, Rs 20,
- (ii) Principles of Marketing; pp 205, Rs 22.50, and
- (iii) Corporate and Market Management; pp 194, Rs 22.50,

All published by Orient Longman, 1972.

Ghurye, G S: I and Other Explorations: Popular Prakashan, 1973; pp 352, Rs 50.

Rudolph, Susanne Hoeber and Rudolph, Lloyd I: Education and Politics in India — Studies in Organisation, Society and Politics; Oxford University Press, 1972, pp x + 470, Rs 30.

Sowell, Thomas: Say's Laws — A Historical Analysis; Princeton University Press, 1972; pp vii + 247, $ 8.50.



The Great Migration of 1971

I—Exodus

Partha N Mukherji

This is an exploratory study of the evacuees who left East Bengal after the imposition of martial law on March 25, 1971, and sought refuge in India. According to official statistics, by the second week of December 1971 about 6.8 million evacuees had been housed in camps and another 3.1 million were staying with friends and relatives. As many as 827 state camps and 19 Central camps accommodated one of the largest migrant movements in history.

This three-part study concentrates on those who were temporarily settled at the Chandpara and Bokchora camps in the district of 24-Parganas in West Bengal. Part I deals with the socio-economic background of the evacuees, the events leading to their uprootment and the trek to sanctuary. Part II will examine the organisational set-up of the camps, the relations between hosts and guests in and around the camps and the adaptive capacities of the evacuees in their new environment. Part III will deal with the migration back to Bangladesh and the manner in which it was achieved.

[I am thankful to the Department of Sociology, University of Delhi, for having given me a small grant and duty leave for my field work. I am also thankful to J P S Uberoi and to Andre Beteille for having taken a helpful interest in my work. My thanks also to the members of the Sociological Research Colloquium seminar. I am most grateful to Jayaprakash Narayan, the Bangladesh Legation in Calcutta, Abhoy Ashram, A P Sinha, and the Ministry of Labour and Rehabilitation, all of whom gave me invaluable help in doing my field work.]

THE time available for this study was approximately six weeks, which included not only the period of field work but also the time for the organisation of research. The period of field work included ten days in Bangladesh of which five were spent in a village in the interior of Jessore district.

Since the investigation had to be conducted by me single-handed, I had to move in such a way that the data I would collect from a few persons in an ocean of ten million would nevertheless make some sense with reference to the problem I was investigating. I selected the Bongaon region of West Bengal for two reasons. Bongaon being one of the towns nearest to the border would have received evacuees right from the beginning of the immigrant movement. Secondly, the liberation of Bangladesh would inevitably register its first impact in these camps immediately close to the border.

The next stage of selection left little choice and offered little difficulty. I decided to work in the two camps which were under the relief jurisdiction of the Abhoy Ashram, my hosts. This solved the problem regarding my bonafides as a genuine researcher and helped establish rapport without any difficulty with the people in the camps. These camps were Chandpara Camp Number 2 and Bokchora, both located in the Bongaon sub-division of the 24-Parganas district.

In each of these camps I tried to locate specific villages in Bangladesh. I had decided to concentrate on one village from each camp. While this was possible in Chandpara, where I selected the village of Mullakandi in Faridpur district, this was not possible in Bokchora. So I did what I thought was the closest approximation to this, namely, I interviewed people from villages which formed a very close cluster in the Chhianobboi Gram region of Jessore district.

Such a mode of selection of respondents served a dual purpose. Not only would they provide information relevant to rural Bangladesh but also relating to their status as evacuees. It may be countered that such a mode of selection could have led to a biased understanding of the evacuee situation. This problem was tackled by the technique of group interviews. Detailed interviews were conducted with the aid of an interview guide. The questions were mostly open-ended and only suitable cues were suggested to clarify the questions when necessary. This left the main respondent and the group audience a lot of leeway to consider and respond consensually to the various aspects of the problem. The process of consensual understanding also enabled me to observe and note the various slants to the discussion (whenever such a discussion took place), from which a resultant emerged. It also enabled me to intervene whenever I felt that there was some obstacle in the consensual process. Hence, the interviews not only yielded responses to questions, but enabled me to record the entire process of response.

Fortuitously, the field work (which was conducted immediately after the liberation in the third and fourth weeks of December 1971) was happily timed at least in one very important respect — the evacuees spoke frankly and freely on several topics about which at any other time they would have felt inhibited.

Finally, the limitations of an exploratory study should not be underestimated. I had not gone to the field prepared to study a problem which had been worked out fully in terms of its theoretical implications. I did not have any clear anticipations of the kind of sociologically relevant empirical reality that I was likely to encounter. Hence it was like visiting an uncharted field.

The Guests

Of the two camps that I studied I was able to do a base-line survey only

TABLE 1: PATTERN OF EMIGRATION OF THE EVACUEES ENCAMPED IN CHANDPARA 2 AS ON DECEMBER 20, 1971

District	Villages	Towns
Jessore	33	2
Khulna	35	—
Faridpur	14	2
Barisal	6	1
Kushtia	—	1
Total	88	6

for Chandpara 2 camp with the help of one of the camp inmates. Chandpara had evacuees from five districts of East Bengal — Jessore, Khulna, Faridpur, Barisal and Kushtia — covering a relatively wide area in what is now Bangladesh. These evacuees came from as many as 88 villages and six towns (see Table 1).

Assuming that the relatively better-off immigrants would have either stayed with their kinsmen and friends or improvised their own shelters at places having better advantage, the economic condition of the campers, we can reasonably accept, represented, by and large, the poorer strata of the immigrant population.

However, how representative such data would be of the respective regions is a matter of conjecture. It is certainly not a representative sample of the villages/towns from where Chandpara campers came, nor does it include Muslim inhabitants of the same regions. And yet perhaps some knowledge of the socio-economic background of the evacuees in this camp is not altogether irrelevant.

Table 2 shows that an overwhelmingly large percentage of the Chandpara campers owned some land of their own (90.1 per cent). Of those who owned land of their own, again an overwhelmingly large percentage were owner cultivators or owner cultivators-cum-shareroppers (90.7 per cent). Only 9.3 per cent were either in a position to give land for sharecropping or were compelled to do so. Nearly 69.3 per cent of those who owned land, owned and/or cultivated more than one acre.

The pattern of landownership does not necessarily indicate the real economic status of the group. For, quite a few in addition to owning land (for no land at all), engaged in petty and medium scale rural-based trade and business. Indirect evidence indicating this was adduced from statements of losses incurred as a consequence of looting of shops (see Table 3).

At least 16.4 per cent of the campers in Chandpara had engaged in some kind of trade or commerce. 85.6 per cent of these traders have been owners and/or cultivators of land upto five acres. Hence it would appear that there was a tendency amongst these small landowners to supplement their income by trade.

A glance at the distribution of cattle wealth clearly indicates that a very large percentage of those who possessed land also owned some cattle (79.4 per cent) and that the cattle wealth increased along with an increase in landownership and/or cultivation.

The point I am trying to pursue is simply that the evacuees in the camps had strong rural roots and most of them had *some* economic stake which they had left behind. At the level of qualitative assessment, the same impression was gathered for both the camps. If we add to the above indicators the fact that these regions in Bangladesh are rich in numerous varieties of fruits and vegetables, and in fish and poultry, some idea of the economic background of the people I met can be understood.

Whatever the reliability of the data for the regions of Jessore and Khulna, I for one would be extremely curious to know the pattern of landholdings among the Muslim and Hindu communities in the overall landownership pattern of the two districts in general. More specifically, I would suspect that the economic status of Hindus in terms of landownership, especially in Hindu populated areas, was higher than that of the Muslims.

Another point that I would like to mention is that all the evacuees in these two camps were Hindus. There was not a single Muslim family in the two camps with a total population of 17,500. The camp populations were almost wholly scheduled caste, the largest number were Namasudras followed by Rishis and Pods.

TABLE 2: PATTERN OF LANDOWNERSHIP AND CULTIVATION IN EAST BENGAL OF THE EVACUEES IN CHANDPARA 2.

(numbers)

Land	Own Land	Own Land + Give Land for Share Cropping	Own Land + Do Share Cropping	Total
				(Per cent)
Upto 1 acre	106	—	—	106 (30.7)
More than 1 and upto 2 acres	62	2	8	72 (20.8)
More than 2 and upto 5 acres	89	15	20	124 (35.9)
More than 5 adn upto 10 acres	16	10	7	33 (9.6)
More than 10 and upto 15 acres	3	1	—	4 (1.2)
More than 15 acres	2	4	—	6 (1.8)
Total	278	32	35	345
(per cent)	(80.6)	(9.3)	(10.1)	(100)
No land, no cultivation				34
Grand Total				379

TABLE 3: STATEMENTS CLAIMING LOSSES SUSTAINED DUE TO LOOTING OF SHOPS, BY LANDOWNERSHIP

(numbers)

Land	Shops Looted of the Amount of					
	Rs 100–500	501–1000	1001–2000	2001–3000	3000+	Total
						(per cent)
No land (N=34)	1	2	—	1	1	5 (8.2)
Upto 1 acre (N=106)	3	3	6	5	5	22 (35.5)
More than 1 and Upto 2 acres (N=72)	2	1	2	3		10 (16.1)
More than 2 and Upto 5 acres (N=124)	1	1	8	1	5	16 (25.8)
More than 5 and Upto 10 acres (N=33)	1	—	—	1	6	8 (12.8)
More than 10 and Upto 15 acres (N=4)	—	—	—	—	—	—
More than 15 acres (N=6)	—	—	—	—	1	1 (1.6)
Total	8	7	16	11	20	62
(per cent)	(12.8)	(11.3)	(25.8)	(17.8)	(32.3)	(100)

(Total N=379)

7 and 24, the nationalist movement was so intense that black flags fluttered from almost all housetops in Jessore. When the East Pakistan Rifles and East Bengal Regiment mutinied on March 25 and reversed the direction of their guns, the Pakistan army was truly perplexed by the massive popular support against it. Almost all Bengalis, Hindus and Muslims alike, rallied round the Bengali soldiers and other volunteers and contributed generously with mainly cooked food, fruits and eggs. A nationalist sub-divisional officer summoned the people of the region to join in the liberation struggle. The response was heartening and since the area had a large Hindu population, the group which banded round him consisted of a large proportion of Hindus. The 'Bihari'* Muslims on the outskirts of Jessore and inside the town, whose role had been identified as against the nationalist movement, fell a prey to the frenzied violence of this liberation group. It seems many Bihari Muslim families had to pay with their lives for having identified with the Pakistani authorities.

This event is being isolated and simplified for the purposes of this analysis with a view to understanding the massive influx of Hindu refugees into India. For, soon after the army regained complete supremacy, the objective of flushing out the Hindus became a definite policy of the official machinery, the Bihari Muslims playing a dominant role in it. It was widely circulated in that region that Hindus had killed Muslims in large numbers and this propaganda caught up with the Bengali Muslims as well, especially the more fanatical elements. It is in the context of this backdrop of events that we have to understand the uprootment of Hindus, at least from the Jessore region.

I must give a brief description of of the two regions of Jessore and Gopalganj. The district of Jessore is characterised by a number of thickly populated Hindu pockets. Chchianobboi Gram (literally, "Ninety-Six Villages") and "Egaro Khan" (literally, "Eleven in Number") are two such pockets. They are supposed to be clusters of 96 and 11 villages, respectively with a Hindu population only. That is why these areas, particularly the former, had acquired appellations like "Chchotto Hindustan" (Little Hindustan) and "Pakistaner Hindustan" (Pakistan's Hindustan). However, on the outskirts of Chchianobboi Gram there are villages with mixed populations of Hindus and Muslims. In contrast, the Gopalganj region in the district of Faridpur, has a clearly mixed population. But since Sheikh Mujibur Rahman's village is in the Gopalganj region, it is an Awami League stronghold.

Having declared martial law, the state legitimised its use of force to control the 'disruptive' elements of the state. By barring the majority party (Awami League) and characterising its leadership as traitors, it could convict any of them on charges of treason. This threw the Awami League organisation into complete disarray. Subsequently, the other nationalist parties, the National Awami Party (Bhashani group) and the National Awami Party (Muzaffer group) also had to operate under cover. Sweeping powers were given to the army and the civil authorities to use force as they deemed fit. The opportunity was not lost to use the Hindus as scapegoats for rationalisations of deviant behaviour of the Muslim Bengalis. Hindus were projected as the corrupting influence and the Awami League as their prey, for both had the objective of destroying Pakistan. Such an ideology found favour with the dominant fanatic minorities everywhere, who having lost the battle of the ballot, were happily poised for the battle of bullets.

It is in the context of these swiftly moving political events, that the exodus of the Hindus from Chchianobboi Gram has to be perceived. It is interesting to note that Chchianobboi Gram itself did not face the ordeal of mass killings or abductions; rather the Hindus on the fringe villages set the alarm. It testifies to the high level of integration of such a large population, that they were able to take decisions about the entire cluster of 96 villages with a population estimated at nearly 1.4 million. Several meetings were held in Mashihati, Sundali and Panchbaria schools, where the leaders of the Hindu community got together, assessed the developments, and deliberated upon possible courses of action. They ruled out any collective resistance as they knew that to challenge the might of the army with an unarmed population would be an exercise in futility. When the fringe market of Dhakuria was looted and burnt, and the houses of the Hindus of Champakona looted for the second time in quick succession, that the Hindus from the adjoining areas came into Chchianobboi Gram. And when even the well-meaning Muslim neighbours expressed inability to give them any security or moral

* All non-Bengali Muslims are covered by this blanket appellation. However, it is true that most 'Bihari' Muslims were from the state of Bihar in India.

support because of danger to themselves on that account, the Hindu leaders decided that everyone would leave on the same day. It seems likely that the anticipated wrath of the kinsmen of the Bihari Muslims killed in Jessore weighed heavily on their minds. Thus sometime around the first or second week of April 1971 (presumably the 5th) began the four column deep, eight mile long, exodus with every family taking whatever it could at the shortest notice imaginable.

Many evacuees testify that there were sympathetic Muslim Bengalis in the fringe villages and all along the flight line, some of whom even shed tears at their plight, helplessly witnessing a tragedy of such dimensions. Many such Muslims provided shelter and gave them security during their flight. However, the evacuees, without exception, were at a complete loss to explain the behaviour of many Muslim Bengali neighbours, with whom their relations had always been cordial, indulging in indiscriminate loot of whatever they could lay their hands on, from cattle to cooking utensils to metal crockery. The more discreet vied with each other to assume charge of the property during the absence of the owner-friend neighbour. This appeared to have been a universal phenomenon. (The exodus must have had a tremendous demonstration effect both on those who wanted the country to be rid of Hindus, and on the Hindus themselves.)

The flight was characterised by stray incidents of anti-social elements trying to loot or abduct women. That is why the women were put in the middle columns flanked on both sides by males. A number of volunteers, youths from the Awami League and school teachers, served as Pathachalaks (guides). They rendered invaluable service to the scared refugees. In this human flood, husbands got separated from wives, and parents lost track of children, but the evacuees took care of such problems and the volunteers tried to be of help in such matters.

At a place called Baghachora, they had their first encounter with the newly constituted Peace Committee which had set up a picket there. The Committee collected Re one per head, Rs five per bicycle and Rs ten per bullock cart, and disarmed them of anything with the remotest suggestion of lethal value, including agricultural implements and bamboo staffs.

The four day flight covering about

TABLE 4: DISTRIBUTION OF CATTLE WEALTH AMONG THE EVACUEES OF CHANDPARA 2

Land	Cattle (in units*)			
	½—2	2—4	4+	Total
				(per cent)
Upto 1 acre (N=106)	45	15	2	62 (22.6)
1–2 (N=72)	45	15	1	61 (22.3)
2–5 (N=124)	45	46	21	112 (40.9)
5–10 (N=33)	10	13	7	30 (10.9)
10–15 (N=4)	—	1	2	3 (1.1)
15+ (N=6)	—	2	4	6 (2.2)
Total	145	92	37	274
(per cent)	(52.9)	(33.6)	(13.5)	(100)

* Cow or bullock or 3 goats=1 unit. Calf = ½ unit.

36 miles on foot, was not a directionless movement of the masses. There was always a group of leaders deciding the suitability of halting points, arranging with the local leaders for the security of the emigrants, and providing relief to persons who needed it, to the extent that this was possible.

While the retaliation in Jessore was swift and the evacuation wholesale and abrupt, the Gopalganj region being an Awami League stronghold and because of its defensible position, did not face any intervention for some time. The Mukti Bahini (Liberation Army) had established a training centre and was preparing for a showdown with the Pakistan army. The fear that the army reprisals on them would be all the more severe due to the hospitality accorded to the Mukti Bahini, prompted some Muslim Bengali elders to meet the Muslim League leader (also a Bengali) who had earlier suffered a crushing defeat at the polls but who was now enjoying the protection of the army. The leader assured them that if they were able to remove the Mukti Bahini from there they would be safe or else danger was imminent. The Mukti Bahini in deference to the wishes of the people, withdrew to some unknown place. This was to let loose a strategy of terrorism.

In the first week of May, the army made its first appearance. The soldiers came on a gunboat, stationed it at Manikda station at three a m and then marched on to Gopalganj at seven a m (a distance of one mile), looted the bank, destroyed the Awami League offices and set fire to the houses of the party supporters. They burnt the nearby Boltola Hat (biweekly market), seven miles from Gopalganj. Thereafter, they split into small groups of ten and visited nearby villages, shooting, and burning houses indiscriminately.

The visits of gunboats and the indiscriminate shooting in which Hindu and Awami League settlements were the favourite targets, became a frequent occurrence. For instance, the people of Mullakandi had to leave their village by eight a m for the paddy fields with their women and children and with food for the day. They kept themselves submerged under paddy standing 3 feet high, in knee-deep mud water, and returned home only after dusk. They would then hold a meeting with the village leadership and take stock of the situation. They kept on playing this terrifying hide-and-seek game for a fortnight. It was only when the neighbouring Muslims of Nijra village expressed helplessness in giving them security and some of them turned Razakars and directed the army to villages and homes which had to be destroyed, and when the neighbouring village of Tentulia was burnt and machine gunned, that they decided to leave for India — a decision made collectively for the entire village.

They trekked 150 miles, crossing three rivers (Madhumati, Naboganga and Kapathakka) to reach India in ten days. Once again the same pattern of looting by the Muslims of the neighbouring village(s) was reported.

The central point to be noted is that the uprootment of the Hindus was not sporadic. The decision to emigrate was collective, taken by the leadership of the Hindu community. This decision, again, was taken only when the Muslim community was compelled to delink its ties or common social bonds with the Hindus. This observation acquires added importance in view of the fact that in the case of at least one village that I visited, where Hindu-Muslim ties were strong, the village tided over the storm in spite of similar kinds of terrorism by the Razakars and the army. Also there were many instances of Hindus in predominantly Muslim villages remaining undisturbed. This gives rise to certain basic questions like: (a) Is such a delinking of ties between the two communities a result only of the state's coercive power, and so is the case mentioned above exceptional? (b) Do these happenings also provide a basis for studying the nature of social integration between the two communities?

Finally, it is clear that the policy of the martial law government was to uproot the Hindus, not to eliminate or exterminate them, and in this they seemed to have succeeded admirably.

However, it needs to be underscored that my respondents were all Hindus and their manner of uprootment is only relevant to two small regions. It does not include the situation faced by the uprooted Muslims, nor does it include the Bengali Muslim — Bengali Hindu interaction in contexts different from those described above. Therefore caution should be exercised not to extend the generalisations beyond the boundaries of this study.

(To be Continued)

On 'Welfarism' vs 'Radicalism' in Planning

Pranab K Bardhan

In a polity like ours, the planner cannot be a mere technical adviser. He is an integral part of the political process. In his capacity as a planner, he has two basic options. One is the easy way out of essentially playing the game as the politicians want him to and of providing them the opportunity to wrap their designs with the respectability of his technical expertise. The other option is ultimately that of exposure.

The planner can translate the radical slogans of the political leadership into concrete programmes, sharply differentiate them from assorted gimmicks (like nationalisation), leave little scope for endogenous failures to be blamed on weather gods, Arab sheikhs or CIA agents, and in general spell out the hard choices and unpleasant policy implications in clear concrete details easily recognisable by the public, so that the next time around it is slightly more difficult for the leaders to get away with the slogans, or to unanimously approve of the Plan in the party or in cabinet meetings and then merrily go about flouting its priorities when it comes to action on detailed programmes.

Such a planner's tenure may be necessarily brief, but he should utilise this time towards building pressure groups for the constituency of the unorganised poor. Effective redistribution cannot come from voluntary abdication by the top, it has to be bargained for, and, if necessary, grabbed by the bottom. There is no substitute for the countervailing power of massive organisation of the poor.

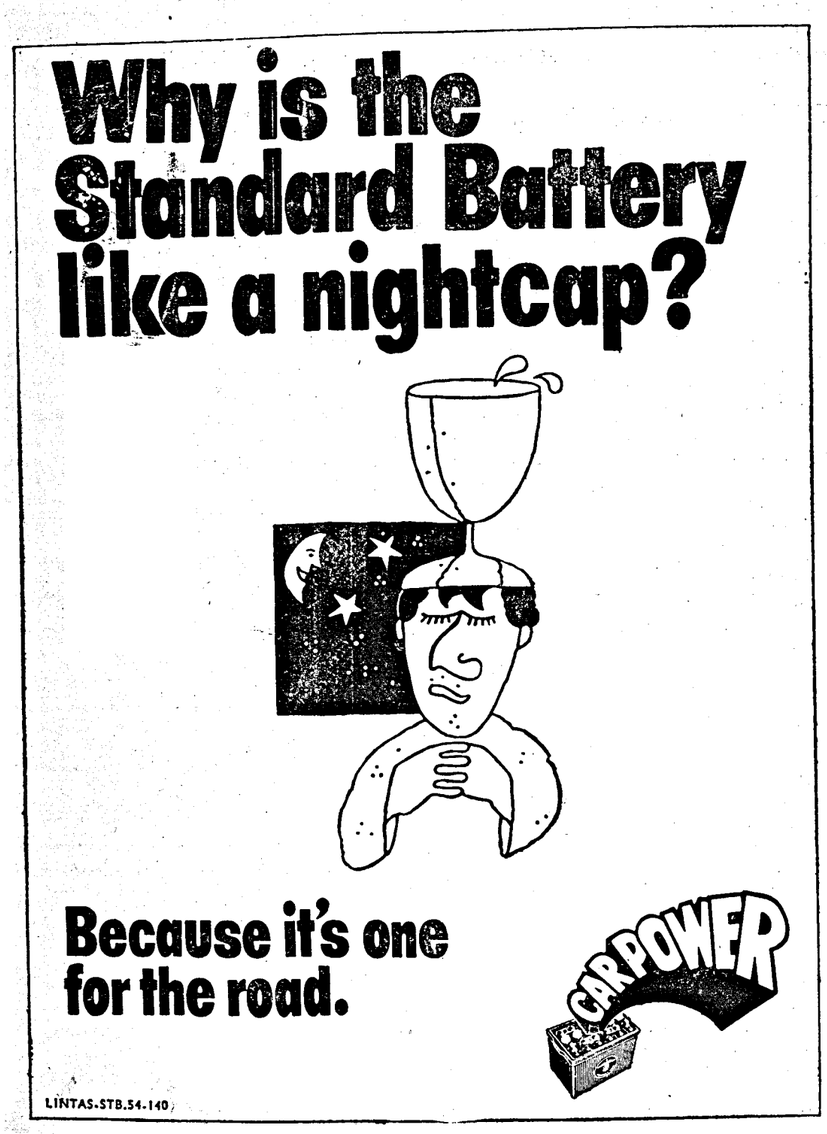
On the long and arduous road towards that goal, the planner's may only be a didactic role, raising the level of public education and consciousness and improving the ability of the poor to see through the empty slogans dished out by the rich.

THE cold days of December and January in Delhi this year became particularly bitter as one sadly watched the bizarre antics and rituals of the cannibalistic tribe of economists and assorted journalists over the Draft Fifth Five-Year Plan. The level of public discussion reached an all-time low. One could criticise the Plan only at the risk of inviting volleys of slander from the press of the ruling party and of its various lackeys. Agents of MacNamara or other supernational (or supernatural) authorities were unearthed and characters were merrily assassinated accompanied lackeys. Agents of McNamara or socialism. While the critics of the Plan were mostly at the receiving end of the vicious public attacks, they in turn were often blaming the planners for the numerous failures of the other branches of the government. None of them was prepared to provide a fully worked-out and viable alternative scheme and there were some who, while being quite generous in their admiration for some of the earlier Plans and their architects, were indiscriminately making uncharitable remarks about a Plan which in its basic structure is not all that different from those earlier Plans.

If one brushes aside all the frothy rhetoric, the venom of personal animosities and the mumbo-jumbo of more-socialist-than-thou commitments, one would find that there are a few substantive issues regarding the basic approach to redistributive planning which need much more serious debate. One such issue relates to the desirability and feasibility of redistribution through massive programmes of direct transfers to the poor in the form of provisions of essential consumer goods (public and private), welfare services and mainly employment-generating public projects. Those who support such transfer programmes as a crucial part of what should be the basic strategy of planning are essentially extending the liberal-Fabian idea of a Welfare State in the context of a very poor country like ours; frequently they find allies in the advocates of Gandhian programmes of rural development. Needless to say, the supporters of these programmes encompass a much larger set of people than those adhering to liberal or Gandhian ideas of welfare socialism. As opposed to these ideas stands the current planning orthodoxy in India by which the steel-cement-fertiliser-power-transport complex forms the core of the Plan and various welfare and essentially employment-generating programmes remain at the periphery. Both sides emphasise the need for curbing luxury consumption and both are by and large agreed on the prior political postulates

that a drastic overhaul of the property structure in the country is infeasible and that we have to operate in the existing framework of a mixed economy with all the trappings of political democracy. In our subsequent discussion here we shall ignore the arguments of an important minority of people in our country who do not accept these political postulates.

The welfare socialists claim that in spite of more than 20 years of planning, with the chapter on Objectives in each Plan volume regularly emphasising redistributive goals with resounding rhetoric (except that the rhetoric has markedly deteriorated over time, from Nehru's rousing prose in the First Plan to the atrocity of paragraph 1.68 on page 13 of the Draft Fifth Plan, Part I), by most estimates nearly half of the Indian population continue to live in abject poverty and the date by which all of them are to be raised above



even the barest minimum level of living, if the economy grows at the expected rate of growth, tends to recede into the never-never future. So staggering are the dimensions of Indian poverty and so dark is the future horizon, if one goes by growth projections, that the welfare socialists feel compelled to point to the immediate priority of substantial transfer programmes for the poor. Varying estimates of the minimum total outlay involved in such programmes are available; one such estimate of outlays on minimum needs and employment-intensive programmes presented in the now-defunct Towards An Approach to the Fifth Plan document came to the order of Rs 11,000 crores over the Plan period (as opposed to a maximum of about Rs 3,500 crores in the current Plan); similarly, a self-appointed one-member Planning Commission in Tiruchirapalli last December has suggested a figure of Rs 7,500 crores on Rural Employment Guarantee schemes alone.

Not Quite Fair

It is not quite fair to argue against this sort of a position, as has been done, that one is overlooking the fact that this will compete with the finance required for the 'core' programmes of the Plan; it is even more unfair to suggest, as has been suggested, that the advocates of such programmes do not bother about the domestic resources mobilisation problem or that they are in some sinister design to increase the economy's reliance on foreign aid. They are as serious as everybody else in underlining the importance of mobilising more domestic resources, but they are inclined to assign to these welfare-cum-employment programmes almost as much importance as given to the usual priority programmes in planning orthodoxy. On the other hand, they seldom work out even a rudimentary consistency exercise taking account of the required bill of intermediate goods, capital goods and infrastructural facilities involved in such massive programmes of direct transfer. It does not suffice to point out that those simple minimum needs and rural works programmes are not intensive in their direct use of scarce intermediate goods like steel, cement, etc, or capital equipments. Any substantial transfer programme will appreciably add to the demand for food, with a matching rise in the requirements of fertilisers, fuels, power and transport. Of course, one may immediately turn the following striking result of the current Plan model in favour of those who are advocating massive transfer programmes: according to calculations on alternative variants of the Plan model the growth rates in the core sectors are reported to be 'largely invariant' to the specification of the inequality parameter for distribution of consumption expenditure. If this result is valid, then an expansion of welfare programmes should not have a significant impact on the growth targets of the core sectors. But if one looks into the details of the Plan model calculations one finds that the 'invariance' property holds mostly for investment goods sectors (electrical, non-electrical and transport equipments, iron and steel and non-ferrous metals) whereas for a number of other core sectors like fertilisers, coal, organic heavy chemicals and infrastructural facilities like electricity and gas, alterations of the inequality parameter do have a significant impact on the required growth rates. Besides, in the current Plan model the aggregate quantum and the composition of investment by sectors of origin are completely exogenously specified irrespective of changes in distribution. Neither the welfare socialists nor the current planners have worked out the impact of their suggested programmes of redistribution on growth rates in the core sectors when one goes beyond the static input-output framework and introduces sectoral linkages through capital-account deliveries. Even within the static framework, it is also important to look beyond the given input-output ratios and to carry out careful assessments of, for instance, the feasibility of alternative technologies in irrigation, fuel production, etc, which economise on the scarce inputs.

Greater Control over Procurement

Apart from the question of scarce inputs, a substantial transfer programme also implicitly assumes a much greater control over procurement and public distribution of food than the present government with all its political alignments has ever achieved or is likely to achieve. Here both the sides in this controversy on redistributive planning strategies are banging their heads against the same political walls: the same power realities of the political system, which do not permit substantial mobilisation of additional resources to support massive programmes of direct transfers simultaneously with an expansion of the fertiliser-fuel-power-transport base of the food economy, are also likely to frustrate an effective public distribution system for the existing supplies of food. More generally, it is the paucity of surplus yielded by the Indian rich and the consequent slackening in the rate of public investment which largely explain why in recent years we had a particularly miserable performance in overall growth as well as in mitigation of poverty.

Despair of Reformers

Even if the political constraints on the generation and mobilisation of surplus were not there, a major source of frustration for the redistributive planner is that in our system whatever scheme of redistributive public investment he designs the relatively rich manage to appropriate a disproportionate share of the benefits. The ubiquitous sucking power of the rich, the strong and the 'well-connected' has been the despair of many a pious reformer with their programmes of welfare and social justice. In this context it becomes highly important to assess the alternative planning strategies in terms of the leakage (into non-target groups) potential of their respective redistributive programmes. One planning strategy may be more ambitious in its anti-poverty programmes than another, but if the nature of these programmes are such as to leave a lot of scope for leakage the former strategy may not be ultimately more effective than the latter. Of course it is possible to take a position that given the general nature of politics of scarcity and given the more specific nature of the corrupt oligarchy that may control these programmes, all alternative redistributive programmes will turn out to be equally leaky. While there may be elements of truth in this position taken at a global or macro-level, if one goes into the micro-level working of individual programmes it is not difficult to show that there are important variations in the effectiveness of the redistributive impact of alternative programmes carried out even within this generally constraining framework.

Judged from this point of view it is not always clear which of the alternative strategies — that of the 'welfarist' transfer programmes or that of the allegedly more 'radical' current planning orthodoxy — has a potential of delivering the goods with less leakage into non-target groups. It is easy to catalogue the various leakage possibilities in a minimum-needs-cum-rural-works programme. Money sanctioned for rural works projects partly goes into the

pockets of labour contractors (to whom the necessary work of labour mobilisation and organisation is frequently entrusted) or to petty bureaucrats (who charge a 'fee' for including one in the list of those who are eligible to work on the projects). The benefits of minimum needs programmes like low-cost housing or slum improvement schemes have often been usurped by those groups in the top income decile whom we keep on referring to as the 'middle class'. The benefits of rural roads or rural electrification go disproportionately to the rich. Even in the case of provisions of drinking water facilities in dry villages there have been reports of rich farmers diverting the water for the purpose of irrigating their fields. One can easily multiply these examples from actual evidence. In general one can classify the various leakages of these transfer programmes essentially into two kinds, one is the leakage from the pipeline itself in the form of absorption by the delivery infrastructure (middlemen, contractors, bureaucrats, etc.) and the other is the recipient leakage in the form of benefits misappropriated by the wrong groups; sometimes these two kinds of leakages are inter-linked, the rich recipient bribing the middleman to divert the flow of benefits in his favour.

Qualitatively Different Exercises

On the other hand, the various leakage possibilities of the core-sector dominated current Plans and the spoils of the elaborate system of licensing and regulation are well documented and need not be repeated here. It may be all right to say that a substantial transfer programme cannot be carried out without a substantial addition to the availability of essential consumer goods and the latter in turn needs as a precondition an expansion of some of the core sectors. But in an economy where the last 20 years of planning have repeatedly shown that planners have little control over the generation and disposal of income by the rich, an expansion of the steel-cement-power-transport complex in the name of ultimately supporting redistributive programmes can hardly be a guarantee that these basic intermediate and capital goods once produced will not be diverted to 'non-priority' uses, as has blatantly been the case all these years. Of course, one should not always project the past into the future to judge a Plan since planning and projection are qualitatively different exercises. But planners may also learn from past mistakes and past failures. The starting point of our current Plan should be a post-mortem of our earlier Plans if we want our planning not to be reduced to mere quinquennial displays of our rich fantasy life.

Planners' Role

If the political and economic power realities have not substantially changed today compared to the recent past, the gaping leakage possibilities in the redistributive strategies of the current planning orthodoxy cannot be plugged with sheer moral exhortations and the over-used battle-cry of socialism any more than in the past; just as the manifold leakages in direct transfer programmes cannot be stopped by some of their Gandhian advocates by mere appeals for a rejuvenation of our moral and cultural values. If we take our existing political and moral framework as given at least for preparing a Plan for the next five years, we have to be on the look-out for least leakage-prone projects. Viewed from this angle, it is possible that some of the welfare programmes (like rural employment guarantee schemes or those for minimum needs for public health and sanitation facilities, nutrition programmes for children and mothers during pregnancy and lactation, drinking water to villages in dry areas, home sites for rural landless labourers, elementary education) may lose in leakages a smaller amount per rupee spent than some of the more grandiose schemes in the Plan. No sweeping empirical presumption may, however, be warranted here and each programme may have to be scanned individually in this respect. If a particular programme is judged to be able to deliver the goods immediately to the poor with some certainty and minimum of leakage one should not cite finance as a constraint, while pre-empting the limited amount of finance available for some other project which may have even a larger and longer time-stream of benefits but one is not at all sure if they will actually flow to the poor or will largely be intercepted on the way. The current practice quite often works in the opposite direction. Whenever the government is faced with a financial squeeze the axe inevitably falls first on the welfare programmes.

A planner may be impatient with the nagging emphasis on the question of leakage in the preceding discussion and may take the position that, after all, his is essentially the role of a technical adviser and it is for the political and administrative machinery to take care of the mundane problems of implementation, of ensuring the proper delivery mechanism and of stopping leakages. But many of the so-called problems of implementation are inherent in the nature of programmes themselves and some are inevitable in the context of the social and political framework and as such could be anticipated right at the planning stage and the planner cannot honestly wash his hands of the responsibility.

Two Basic Options

More generally, in a polity like ours the planner cannot be a mere technical adviser. He is an integral part of the political process. He certainly cannot change the political and institutional constraints on planning. But in his capacity as a planner he has two basic options. One is the easy way out of essentially playing the game as the politicians want him to and of providing them the opportunity to wrap their designs with the respectability of his technical expertise. The other option is ultimately that of exposure. The periodic exigencies of political democracy have impressed on the leadership the increasing need for radicalising the slogans. The planner can translate these slogans into concrete programmes, sharply differentiate them from assorted gimmicks (like nationalisation), leave little scope for endogenous failures to be blamed on weather gods, Arab sheikhs or CIA agents, and in general spell out the hard choices and unpleasant policy implications in clear concrete details easily recognisable by the public, so that the next time around it is slightly more difficult for the leaders to get away with the slogans, or to unanimously approve of the Plan in the party or the cabinet meetings and then merrily go about flouting its priorities when it comes to action on detailed programmes. Such a planner's tenure may be necessarily brief, but he should utilise this time towards building pressure groups for the constituency of the unorganised poor. Effective redistribution cannot come from voluntary abdication by the top, it has to be bargained for, and, if necessary, grabbed by the bottom. There is no substitute for the countervailing power of massive organisation of the poor. On the long and arduous road towards that goal, the planners' may only be a didactic role, raising the level of public education and consciousness and improving the ability of the poor to see through the empty slogans dished out by the rich.

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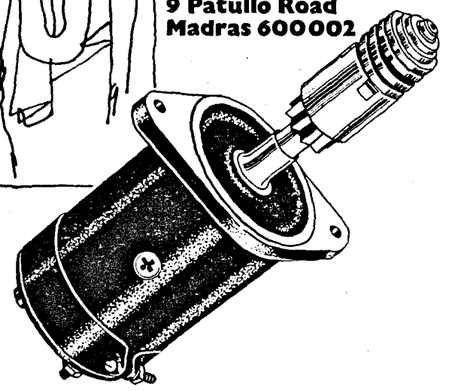
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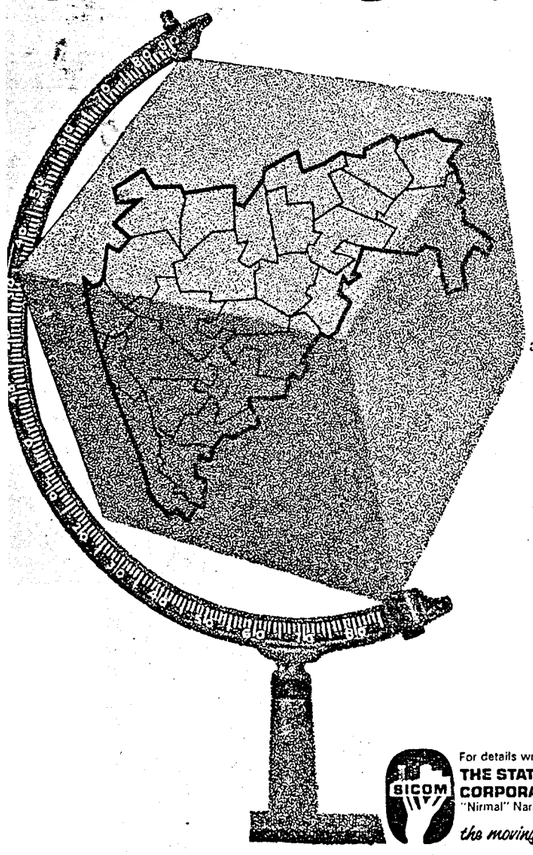
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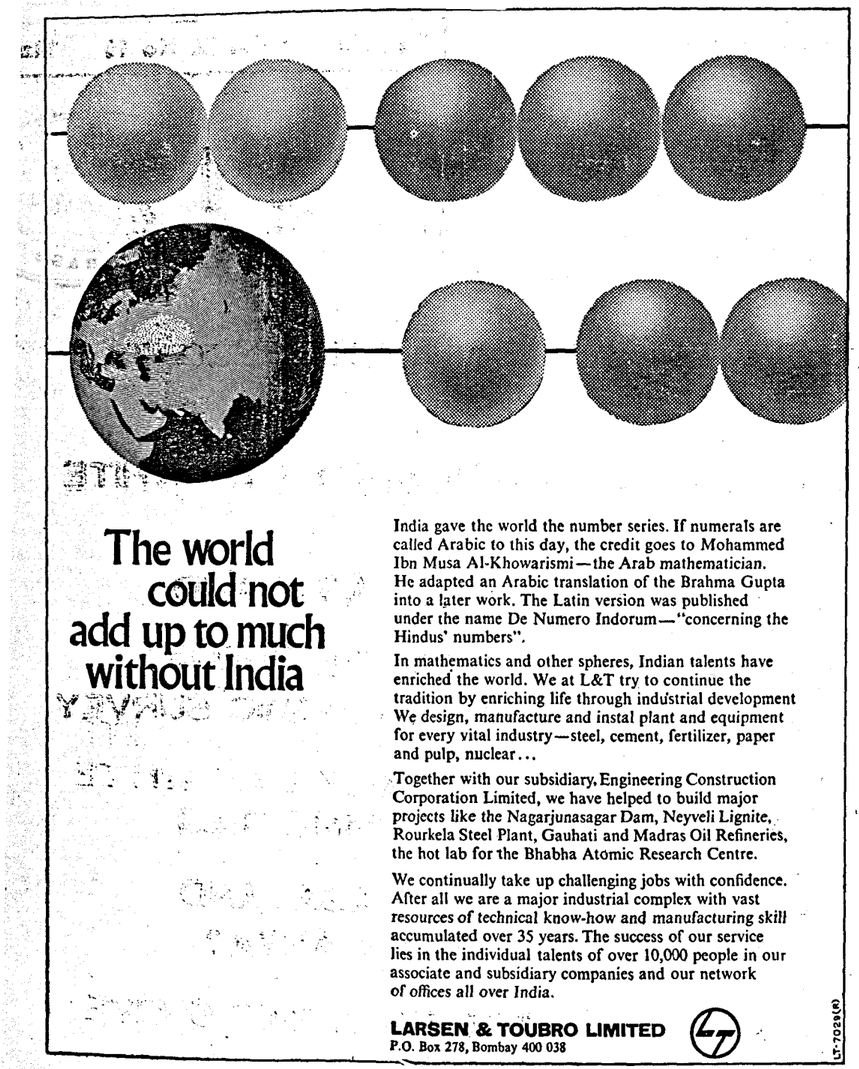
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Cruel Balance

THE government, it has to be conceded, has been fairly successful in creating the impression that if it has not budgeted for a larger Plan outlay this year it is because it is anxious to keep down deficit financing and curb the raging inflation. The Finance Minister's claim, that the figure of the Plan outlay contained in the Budget "represents a difficult compromise between two conflicting considerations, namely, to keep deficit financing to the minimum and to keep the wheels of production moving", appears to have been accepted without much questioning. The government has to be ruefully complimented for having been able to get away with so palpably distorted a view of the inflation and its causes, especially its relationship with the Plan outlays.

Looking at the problem in the most aggregative terms, it is simply not true that Plan outlays, or developmental outlays more generally, have been the cause of the admittedly sharp rise in the government's total expenditure in recent years. It has been repeatedly pointed out in these columns that, as a proportion of the government's total expenditure, both Plan and developmental outlays have been consistently and significantly below the levels reached almost ten years ago, towards the end of the Third Plan. Quite to the contrary, it can be convincingly established that many of the current shortages, and the consequent rise in prices, are in fact the direct consequence of the cutback in investment in a number of sectors. The acute shortage of cement, fertilisers and paper, for example, and the flourishing black-market in them can be explained only in these terms. For the Finance Minister to pretend that the choice is between a little larger outlay on the Plan and a little less inflation is, therefore, downright dishonest — not just misleading.

While, in aggregative terms, Plan and non-Plan expenditures of the government equally add to the total demand in the economy, quite different sections of the population are affected by a curb on Plan as against non-Plan expenditure. The government's classification of Plan and non-Plan, or developmental and non-developmental, are arbitrary enough to preclude very categoric assertions. But broadly, it can be said that investment resulting in expansion of output and employment has a relatively greater effect on the incomes and hence the demand of the poorer sections of the population. On the other hand, government expenditure on account of payment of higher procurement prices to farmers with surplus foodgrains to sell or larger subsidies on public irrigation works obviously benefits a quite different set of people. The impact of this latter kind of expenditure on the demand for — and, therefore, the prices of —, say, foodgrains, is bound to be quite different from that of expenditure which results in larger employment. In this case, the beneficiaries, the larger farmers, are unlikely to increase their consumption of foodgrains very much; nevertheless, an increase in their incomes could have a sharp enough impact on the prices of foodgrains as it makes it possible for them to withhold foodgrains from the market and build up larger stocks. For this reason, cut in government expenditure which impinges on the incomes of this section of the population could have a salutary effect on the prices of foodgrains. Obviously, tax proposals which reduce their disposable incomes will also have the same effect. It is a comment on the government's close alignment with particular interests in society that neither of these anti-inflationary devices has found favour with it. The increase in the food subsidy last year may be attributed to the higher prices of imported foodgrains, but this year it will be wholly on account of the very substantial increases already allowed in procurement prices. Similarly, the subsidy on irrigation and multipurpose river schemes has continued to go up, contrary to the exhortations of successive Plans, and it was Rs 170 crores in 1973-74. Most conclusive of all is the fact that according to the government's latest Economic Survey, over the Fourth Plan period "the mobilisation of additional resources from the agricultural sector in the form of land revenue and agricultural income-tax shows a negative figure of Rs 30 crores"!

Of course, the affluent in the agricultural sector have not been the only beneficiaries of the government's expenditure and tax policies. Elsewhere, too, large incomes have been created and then left virtually untouched by taxation. If one may make a sweeping generalisation the effect of the government's fiscal policies appears to have been on the one hand to provide the wherewithal to the larger farmers, traders and industrialists to bid up prices of a wide range of commodities and on the other hand to augment the money incomes of certain other relatively well-off sections of the population just sufficiently to enable them to pay these higher prices. Whatever the polite explanations offered by the Finance Minister, the sharp cut in income-

tax rates all along the line, making a present of Rs 60 crores this year and more in every succeeding year, to those affluent enough to qualify as income-tax payers, has to be understood in this overall context. At the other end, on those, the majority, who fall outside this charmed circle, has fallen the entire burden of balancing supply and demand for the necessities of life. This has been achieved, quite simply, by keeping down the growth of employment and incomes among them — the other side of the Finance Minister's "difficult compromise". Together with the rise in prices this has made sure that their consumption of the essentials of existence like foodgrains is pushed even further below their already sub-human levels.

Government Services

Keeping Them Lily White

THE particular news item has remained un-contradicted. Any association with the CPI(M), CPI(ML), Jamiat-e-Islami and the Rashtriya Swayamsevak Sangh, it has been decided by the authorities in New Delhi, will debar people from entry into government services. These political groupings have been adjudged as undesirable and persons leaning towards them would be precluded from getting government jobs or, if already in such jobs, would be in danger of losing them. Even a casual expression of sympathy for these political groups within three years prior to the date of enquiry would be considered as tantamount to association with them and would therefore invite the application of the fiat.

According to the government's own explanation, political undesirability has two aspects. If any group or organisation has been declared unlawful, association with it, after it has been so declared, would clearly be undesirable, under the existing laws of the land, and one aspiring for employment must not harbour any illusions on that score. None of the four organisations referred to have till now however been declared unlawful by New Delhi, not even the various versions of the CPI(ML). The criterion of undesirability applied in the present instance is therefore an extra-juridical one. The authorities must have made up their minds that the groups named by them are indulging in activities which either aim at the subversion of the Constitution, or preach violence, or are prejudicial to the sovereignty, security or integrity of the country, or promote feelings of enmity or hatred between different sections of the people on grounds of religion, race, caste or community.

Clearly, these four political — or quasi-political — organisations, association with which would deprive people of the opportunity of employment in government, have come under the shadow because they are being suspected of each or any of these activities. It can only be a matter of suspicion, for if the government had fool-proof evidence of their guilt, it would have moved against them in the courts of law, or have banned them. There is thus a gross anomaly here. The CPM is one of the recognised 'national' parties: it also happens to be the largest opposition group in the Lok Sabha. It is extraordinary that, for purposes of the parliamentary process, the CPM is considered to be adequately national, while viewed from another angle, it is to be regarded as anti-national and association with it is to preclude people from holding government jobs. One can demonstrate the absurdity of the position quite easily. Since, for electoral purposes, the CPM is accepted as a national party, it is conceivable that it could come to power even at the Centre through participating in the elections. The party could therefore form the government in New Delhi, and ministers owing allegiance to it could come to preside over the operations of the various official agencies. Following the rationale seemingly being applied by the Union Ministry of Home Affairs, it may be all right from the point of view of the security, sovereignty and integrity of the nation if a functionary of the CPM were to become the Defence Minister of the country, but not all right if an applicant for the post of a petty clerk in the Ministry of Defence had shown some stray sympathy for that party on a fleeting occasion three years ago.

There could be other absurdities. If the writ handed down by the Ministry of Home Affairs is not acceptable to any or some of the state governments, one set of criteria would then be applied by the Centre to judge the political suitability of would-be employees and yet other sets by the individual states. Thus members of the CPM might come to hold important positions in the civil service hierarchy in Kerala and West Bengal, while they would be considered untouchable in New Delhi; a member of the RSS might play a crucial role in the Home Department of the government of Uttar Pradesh while he would be regarded as a security risk by the Union Home Ministry.

True, under the Civil Service Conduct Rules, government servants, under all circumstances, must not be members of political parties and must not maintain also any association with such parties. But till as long as Articles 14, 15, 16 and 19 have not been removed from the Constitution and till as long as a particular party has not been declared illegal, no discrimination between different political parties can be made under the law; to attempt to make such a discrimination in the service rules is nothing short of outrageous. That the Ministry of Home Affairs nonetheless assumes that it would get away with framing such absurd rules merely reflects the creeping authoritarianism of recent years. As a consequence of the developments since 1971, men in authority have taken it for granted that they will rule for ever. The Constitution of the country is however unambiguous in the matter. It is not for some individuals sitting in some corner in New Delhi to decide whether x or y, because of his private political views, would or would not be suitable for public employment or whether he would be loyal, upright and impartial in service. A judgment on this cannot be pre-empted by anybody. A more honest course would be to declare that, under the pretext of the Emergency and the Defence of India, henceforth the rule of law is going to be substituted by the rule of whimsy all along the line.

Balance of Payments

Costly Face-Saving

AFTER repeated heroic statements that the country's balance of payments position did not warrant resort to borrowings from the International Monetary Fund, the government quietly announced a fortnight ago that it had borrowed $ 74.4 million from the IMF under the facility of compensatory financing. The IMF's compensatory financing facility can be drawn upon by a member-country whenever its exports suffer a temporary setback from the trend observed in the previous couple of years. It is a great mystery, therefore, how the government of India has been able to prove to the IMF that the country's exports declined over the last year or so. DGCIS figures show spectacular performance by the export sector in 1972-73; and it has been claimed that exports in 1973-74 are likely to be higher by another 20 per cent. Even if aid-financed exports to Bangladesh are not taken into account, DGCIS statistics reflect a positive growth trend in exports, certainly no decline.

If despite this India has been allowed to draw on the compensatory financing facility, either some statistical jugglery

must have been used to prove to the IMF that exports have declined from their trend path or the IMF, which was experiencing a great slackness in its lending business since the currency crisis started in the middle of 1971, was prepared to relax its usual rigorous standards of scrutiny for appraising requests for loans. The IMF is equipped to provide temporary financial accommodation on reasonable terms to needy nations. That the floating exchange rate regime has so far minimised the need for countries to intervene directly on the market or to resort to borrowings from the IMF for augmenting their reserves position has no doubt helped India's request.

India's needs cannot, however, be satisfied by the meagre amount availed of through the compensatory finance drawings and India would have to approach the IMF again for further accommodation. The rate of interest to be paid on IMF borrowings, at 3 to 5 per cent, is relatively low and depends on the length of the period for which accommodation is sought. There is thus good reason why the government should give preference to drawings from the IMF over credits from the oil-exporting countries or borrowings in the Euro-currency markets. However, India has sought credits from Iran and Iraq for its import of crude from these two countries and the government has remained tight-lipped about the terms and conditions of these credits. Unconfirmed reports indicate that the price at which crude is to be supplied to India by Iran, for instance, is higher than what we would have to pay if we were not buying the crude on credit. Thus even if Iran agrees to an interest rate on its credits much below the rate ruling in the Euro-currency markets, the whole deal could yet prove costly.

Borrowings from the Euro-currency markets are inadvisable in view of the considerably higher rates of interests and the relatively shorter duration for which these funds are available. Interest rates are likely to harden further in the Euro-currency markets in view of the anticipated spurt in demand for funds. According to estimates made by the OECD, the industrially developed countries of the world would be faced with current accounts deficits of about $ 35-40 billion during 1974, primarily on account of the steeply rising crude import bill. A large number of European countries and Japan are planning to borrow heavily to meet their balance of payments deficits. France has just borrowed $ 1.5 billion on the Euro-currency market as its first instalment. The UK too has become a habitual borrower on the Euro-currency markets, and has already borrowed nearly $ 3 billion through its various public-sector undertakings, including public utilities, during the last one year. It is anticipated that the UK's borrowings from the Euro-currency markets would be much higher this year. Its current account deficit in the three months, November 1973-January 1974, was running at an annual rate of nearly $ 7 billion as against the deficit of $ 3.5 billion in 1973.

India may thus be forced to fall back on the IMF. That we would soon face a balance of payments crisis and would have to approach the IMF for a stand-by credit was evident as far back as in December 1972. If the IMF was not approached earlier it was because of favourable developments in the invisible account of the balance of payments. The Economic Survey for 1973-74 has conceded that "the fall in reserves in 1972-73 might have been greater but for the improvement in the invisible account due to reduction in leakages of foreign exchange", as a result of a fall in demand for foreign exchange for financing smuggling activities.

The delay in approaching the IMF may, however, prove costly. A large number of industrially developed countries, as mentioned above, are expected to queue up before the IMF for accommodation. Thus Italy has been already assured of stand-by credit of $ 1,200 million; the UK is expected to ask for a much larger stand-by credit, possibly in the range of $ 2.5 to $ 3.5 billion. It would not be surprising if by the time the government makes up its mind, the IMF is no longer flush with funds and we are, as a result, forced to borrow at heavier cost from other sources.

Nagaland

A Bad Beginning

THE strange goings-on in Kohima immediately following last month's elections in Nagaland deserve to be commented upon, if only to illustrate the limits of clumsiness to which New Delhi's emissaries to the country's outlying frontiers can proceed. Whatever contorted interpretations may now be placed upon the results, the Naga Nationalist Organisation, there is not the least doubt, has received a drubbing in the elections. The NNO has been New Delhi's protege, shored up by the Ministry of Home Affairs as good boys against Phizo's bad ones. The implicit contract was that the Congress would stay away and the Sema tribe, as long as it behaved, could have a free run in Nagaland through the NNO. It was thus the ruling party's surrogate in Kohima: most of the dirty work on behalf of New Delhi was done by it.

For the past ten years, the NNO was ensured an artificial majority in the state legislature through the device of the government nominating members for areas where elections could not allegedly be held because of disturbed conditions. This year, with the claimed for restoration of law and order, voters in these areas could no longer be denied the privilege of choosing their own representatives. The circumstances were nonetheless not entirely conducive to free elections. Battalions belonging to the Central Reserve Police, the Border Security Force, and the Eastern Frontier Rifles were marching up and down the state. Personnel of the Central Bureau of Intelligence were not altogether scarce either, apart from there being the fairly ubiquitous presence of the army.

The outcome of the elections has been altogether unpalatable to the government of India. The United Democratic Front, which is in favour of resuming a dialogue with the rebels, has won a fairly decisive victory. While the number of seats directly won by it fell short of a majority, it is on record that more than half-a-dozen of the candidates elected as Independents were supported by it. Following the elections, these Independent members signed a pledge and made a public declaration about their association with the UDF. In view of all this, the extraordinary conduct of the Governor in delaying the invitation to the leader of the Front can have only one explanation. The gimmickry of claiming to meet each of the successful Independent candidates and ascertaining their views is by now a standard device of procrastination; at least seven of them had already made clear where their preferences lay. Even otherwise, since the UDF had won 25 seats as against the NNO's 23, conventional decency too would have indicated that the former should have been invited straightaway to explore the possibilities of forming the government.

The gnat New Delhi was hesitating to swallow could not be more obvious. The leader of the UDF, Rano Shaiza, happens to be a niece of the rebel Phizo. To acknowledge her as the leader of the majority group, and to allow one of her nominees to take over

as Chief Minister of the state, would be tantamount to admitting to the world that the government's past policies in Nagaland are in a shambles. It could scarcely be a question of national security involved in the transfer of the reins of administration of a border state to a group whose friendliness toward the government of India cannot be one hundred per cent vouchsafed for. The back of the Naga resistance is already largely broken. The Union government has a hundred different instrumentalities to take care of the nation's security along the border. Kerala and West Bengal, among other states, have demonstrated the illusory nature of the delegatory powers enjoyed by the state governments, and a UDF regime in Nagaland can at most be a minor irritant.

The main issue standing in the way of the Governor's issuing a prompt invitation to it to form the government was therefore that of ego. The very thought of Phizo's niece reigning supreme in Nagaland must be galling to many in New Delhi. It is only following Rano Shaiza's warning that the Centre would have to suffer the consequences if the UDF was denied the chance to assume power that New Delhi relented. But grace was still missing; the Governor, altogether pompously, had to tell the press that he agreed to swear in the UDF ministers only on their having 'categorically assured' him to stand by the Constitution and integrity of India. The oath of office each minister has to take before assuming office itself contains a pledge to uphold the Constitution of the country; if the UDF is determined to act otherwise, an oral assurance to a peripatetic Governor would not hold it back. The Governor's negative gesture was therefore as pointless as it was unseemly.

This is hardly the kind of stuff reconciliation is made of, and the Angami and Chakesang tribes will now be free to reach their own conclusions. There could not be a worse beginning to what once promised to be a new chapter in Nagaland.

Jute

No Scope without Joint Strategy

Angus Hone writes :

INDIA and Bangladesh hold a virtual monopoly of the world trade in raw jute and manufactured jutegoods. A producer-based agreement between the two countries could be very effectively used, therefore, to raise prices and to expand marketing efforts, promote product usage, and co-ordinate research into crop yields and processing techniques.

The price of jute has been depressed in recent years and the overall market for jute has been declining as possibilities of bulk handling, paper and plastic sacks and packaging materials have made their indent in jute's traditional markets. Even the 'growth' jutegood of the 1960s — *viz*, carpet-backing — came under severe pressure between 1967 and 1972 from polypropylene-woven backings which were able to replace jute as primary backing material for tufted carpets: tufted carpets account for more than 90 per cent of the carpet market in the West. Jute retains a significant portion of the small market for woollen-woven carpet-backing. Jute is still the most important secondary backing used, although foam-rubber, acrylic latex, and polypropylene have reduced its share of even this market.

The outlook for jute seems to have been transformed, however, by the rise in the price of oil — the raw material for virtually all synthetic fibres and plastics — from $2 to over $8 per barrel. But not dramatically. Since the process by which oil is converted into carpet-backing is highly complex and the value-added by manufacturing or selling, etc, is high, the net impact of the initial rise in oil price is considerably dampened: Oil is first refined; naphtha is then converted into ethylene from which a number of polymers can be produced; a by-product of these processes is propylene, which is converted into polypropylene resin; the resin is then converted into tape and finally into the synthetic backing. The profit margins of the chemical companies and the backing manufacturers have been high even though the price of the synthetic backing has been pegged down to make it competitive with jute backing. The effect of the oil price rise will very likely be only a 25-35 per cent increase in the costs of polypropylene carpet-backing. This can be easily absorbed in the present profit margins, and need not be passed on through higher prices. The major gains of the oil situation for the jute from India and Bangladesh will not be in terms of price but in terms of availability.

Feedstocks and conversion capacity for oil will be desperately short in Western Europe, Japan and North America during 1974-76. The two jute-producing countries could, therefore, exploit this material shortage by holding prices and improving technical and marketing services to end-users. In 1972, India and Bangladesh supplied 955,000 tons of the total world exports of 1,230,000 tons; even of the residual exports the bulk comprised manufactures from Europe using Bangladesh fibre. The total value of jutegoods exports in 1972 was about $500 million; with improved prices, this rose to an estimated $560 million in 1973. Bangladesh exports an additional $150 million worth of jute fibre.

The Rs 500-crore jute industry, as between the two countries, has as yet no joint marketing strategy, no joint research programme, and virtually no programme for pricing or market-sharing. A year has passed, but the anticipated 'Jute International' is not yet established, nor has the meeting held in Dacca in January 1973 led to any carefully and jointly planned product strategy in key markets. Yet, 1974 could be a very good year for the natural fibres — provided the dominant supplying countries combine to maximise their long-term ventures for the various jute products: Oil-based synthetics have not been able to supply the total market requirements, and prices have risen very sharply at the margin.

Jute could, in fact, continue to be an important and growing source of export earnings for India and Bangladesh if the two countries work out a joint strategy on fibre production and yields and on shares of world markets for jute manufactures. This would have to be combined with a joint pricing and promotional strategy in the major markets to assist users and to compete with synthetics. On the other hand, in the absence of such policies, there will be continued price-cutting, as the output of Bangladesh carpet-backing is expanded and there is a gradual switch to synthetics in the United States and Western Europe. Today, the jute industry involves millions of farmers and over 300,000 mill workers. To safeguard its prospects the two governments must sign a producer-based agreement. Though India and Bangladesh can never constitute a jute producers' organisation parallel to or as powerful as OPEC and while the scope for raising prices is likely to be extremely limited, the likely gains from a joint strategy for the next seven to eight years are too crucial to be ignored.

Share Cropping

OUR attention was recently drawn to some comments made by Amiya Kumar Bagchi ("Some Implications of Unemployment in Rural Areas", *Economic and Political Weekly*, Special Number, August 1973) on our model on share-cropping published elsewhere ("Cropsharing Tenancy in Agriculture: A Theoretical and Empirical Analysis", *American Economic Review*, March 1971).

(1) Bagchi's major comment seems to be that the Bardhan-Srinivasan model implicitly assumes unlimited supply of land. He asserts, without proof, that "with conditions of land-scarcity in general, there will be no equilibrium in the market for leasing of land as specified by Bardhan and Srinivasan". This, we are afraid, indicates that he has misunderstood the model. Our model *explicitly* assumes the supply of total land as given; in fact each landlord is assumed in our model to have only one unit of land and in equilibrium the demand for land by tenants is exactly equal to this given supply.

In our model the tenant tends to drive the marginal product of land to zero — this may have suggested to Bagchi that land supply is not scarce. Actually in this model the price of land (service) is positive, even though the marginal product of land (service) is zero. This one may easily find out by varying the given amount of land specified in the model and noting the consequent change in total income.

(2) Bagchi approvingly quotes Gale Johnson ("Resource Allocation under Share Contracts", *Journal of Political Economy*, April 1950) where the latter gets around the allegedly unrealistic condition of zero marginal product of land under share-cropping by assuming that the rental share is a decreasing function of labour-intensity. This obviously goes beyond the competitive model, since each individual agent does not take the rental share as given but as something influenced by his own action. We have nothing against non-competitive models and in fact in order to capture some aspects of reality it is important to introduce some specific kinds of market imperfections (as we commented towards the end of our paper). All we wanted to point out is that if one takes a competitive model — and in this our frame of reference was the model of Cheung ("The Theory of Share Tenancy", University of Chicago Press, 1969) — one may not be able to escape the tenant's maximising condition of zero marginal product of land in the interior solution.

(3) A related point is that regarding allocational efficiency under share-cropping. Cheung claims that in a *competitive* model of share-cropping there will be no inefficiency in resource allocation. Bagchi contends that Cheung's conclusion will not hold "mainly because of deep imperfections in the different factor markets". This is somewhat irrelevant since nobody is disputing the inefficiencies following from those "deep imperfections". The question is: is there any extra source of inefficiency in the institution of share-cropping that will show up even in a competitive world? Economists have claimed for long that under share-cropping the tenant will not put in as much labour as he would otherwise. Of course this question of under-application of labour does not arise if the tenant does not have any choice in deciding how much labour he should put in either because (a) the landlord dictates it for him (and enforces it accordingly) or (b) the technology of crop production is such that there is no choice, e g, if there is a fixed-co-efficients production function. Cheung assumes (a) and therefore, by assumption, rules out the question of inefficiency. In justification of this assumption Cheung cites the clauses of some actual contracts in pre-Communist China (see pp 76-77 in his book) where the amount of tenant labour (in terms of "so many bodies of men") is specified in the share-contract. In our opinion this does not conclusively establish that even in those cases the tenant did not have any *ex ante* choice in the matter of labour application: (i) a contract is the *ex post* outcome of a negotiation — it cannot prove the lack of *ex ante* choice on the part of the tenant and (ii) specification of the number of "bodies of men" does not ensure the actual quantity of labour hours, not to speak of the quality.

It is quite possible that in the real world the landlord ensures that the tenant does not under-apply his labour by brandishing the stick of tenurial insecurity, the threat of stopping credit to him if the landlord is also a moneylender, etc. But then the model is no longer competitive as Cheung wants it to be. We may also note here that there are some economists who frequently assert in the same breath that landlords have monopoly power and that share-cropping is inefficient. If landlords have monopoly power they will usually be able to control the application of labour and other variable inputs by the tenant and share-cropping as such should not lead to under-application of these inputs.

P K BARDHAN
T N SRINIVASAN

Fumbling with the Oil Crisis

I FIND myself unable to agree with the editorial, "Fumbling with the Oil Crisis", in the issue of January 19. A case has been made out for India's inability to negotiate supplier credits and again, if such supplier credits are available, India's inability to service its debt.

Oil supplier countries have severe problems in finding investment opportunities for their oil earnings. Two areas have been recognised as suitable. The first being totally integrated manufacture of finished products, from oil and natural gas — refined products, petrochemicals and fertilisers. The second to develop industries based on high energy inputs — for example, integrated aluminium production from Indian bauxite; such production already exists in Bahrein. Potentially the oil producing countries could dominate world markets in these two areas.

India can assist by providing engineering, management and operating services in formulating and implementing such projects which would aid the regional development of the Arab world. India can also export surplus materials such as bauxite and iron ore for processing and re-export resulting in increased foreign exchange earnings.

The emphasis would be on India providing services, not only goods, for the regional development of the Arab world. India has definite capabilities in this area. Negotiation with the oil producing countries on this basis would be a useful lever in arranging long term soft loans for financing oil imports. On this basis, there is hope that appropriate credits can be obtained.

R PURKAYASTHA
Bombay

Progress against Heavy Odds

Hansavivek

ASHOK LEYLAND had to contend with a 25 per cent power cut from October 1972 and this was increased to 75 per cent in February 1973. On the removal of power restrictions in July last, production was stepped up to the "highest level ever reached", to offset the loss of production in the earlier period. The effort proved successful and in the year ended September 1973, AL's sales of Comets increased to 4,735 from the previous year's 3,651, of heavy vehicles to 495 from 197 and of industrial/marine engines to 523 from 186. Net sales were substantially higher and, with margins widened, gross profit more than doubled, even though over Rs 72 lakhs were provided for the full gratuity liability as at the year-end as against the actual accrual provided for in the previous years and also about Rs. 62 lakhs were set aside towards royalty payable to the holding company based on the figures for the year apart from that paid on the basis of the figures for the previous year in accordance with the method hitherto followed. Borrowings were brought down by a crore of rupees and the ratios of inventories and wages to sales showed substantial declines over the year.

The programme to increase production of Comets to 10,000 per annum and to further increase the indigenous content of the company's products is being carried out. Capital expenditure of Rs 289 lakhs was made last year.

Exports were not satisfactory last year, but efforts are being intensified this year. Total firm orders received up to the second week of January were already 300 per cent of the level achieved in 1972-73. The company has also started to export components to the UK. A testing centre is being built up gradually in the research and development department and facilities have already been provided for testing bought out items such as electrical equipment, oil seals, bearings, shock absorbers, radiators, cooling fans, propeller shafts and gearboxes.

The company has developed and supplied to the army a medium gun-towing tractor chassis which is in regular production. A prototype of a heavy gun tractor is under trials. The 10 and 16-ton dumper vehicles, developed by the company on its own, are in great demand in the market.

The company has fared even better in the current year so far. According to S Ranganathan, chairman, despite a severe shortage of raw materials and ancillary items, the company produced and sold almost 2,300 vehicles in the first 4 months. This is an all-time record. He, however, is not sure whether the company will be able to maintain production and sales at this level in view of the ever-increasing problems of obtaining raw materials and bought out components, etc. He says that production of commercial vehicles in the country is limited due to various constraints and that only AL and one other manufacturer are producing at over 80 per cent of installed capacity. Demand is growing and government is keen that investments already made in this key sector must be allowed to earn reasonable returns. The chairman adds, however, that there has been a sharp rise in prices of all items used in the automobile industry such as steel, copper, aluminium and other non-ferrous metals and forgings and castings. Besides, the industry is dependent on a large number of ancillary suppliers. Unless, therefore, there is all-round price discipline, it will be extremely difficult to hold the prices of the end-products alone. Ranganathan hopes that, as a result of the current discussions with the Ministry of Heavy Industry and the Bureau of Industrial Costs and Prices, there will be a satisfactory solution to the problem which, while providing a certain amount of price stability to consumers, will also leave adequate retained surplus to be canalised for the long overdue replacement of old equipment and for investment on plant and machinery for increased production. The company is seeking government sanction for import of plant and machinery valued at about Rs 150 lakhs required for expansion.

The Week's Companies

(Rs in Lakhs)

	Ashok Leyland		Andhra Sugars		Alfred Herbert		Reckitt & Colman	
	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 31-10-73	Last Year 31-10-72	Latest Year 31-10-73	Last Year 31-10-72
Paid-up capital	779	779	242	212	49	40	250	249
Reserves	621	454	317	173	70	67	144	132
Borrowings	462	562	431	268	73	3	95	118
of which Term borrowings	387	370	284	144	—	—	—	—
Gross fixed assets	1493	1223	1177	751	86	63	422	380
Net fixed assets	840	724	694	324	73	50	286	290
Investments	52	52	25	25	—	—	2	2
Current liabilities	1076	791	419	337	210	115	132	124
Current assets	2046	1809	691	642	237	165	325	323
Stocks	1473	1352	268	227	20	16	140	137
Book debts	535	453	321	263	212	146	179	172
Net sales	4461	2943	967	946	382	369	779	694
Other income	21	24	24	5	16	13	16	15
Raw material costs	3215	2152	462	430	313	300	335	275
Wages	347	275	51	49	33	29	190	179
Interest	46	68	25	24	3	2	15	14
Gross profit (+)/loss(—)	512	250	274	270	23	28	103	95
Depreciation provision	89	77	64	55	2	2	15	14
Tax provision	264	89	63	144	14	16	49	47
Net profit(+)/loss(—)	159	84	147	71	7	10	39	34
Development rebate provision	51	8	48	3	—	—	5	5
Transfer to reserves	11	18	72	46	3	7	4	1
Dividend								
Amount	E 97	58	P 5 E 22	3 19	E 4	3	E 30	28
Rate (per cent)	E12.50	7.50	P 9.5 E 12	9.5 12	E 10	10	E 12	11
Cover (times)	1.11	1.31	4.27	3.42	1.75	2.33	1.13	1.04
Ratios (per cent)								
Gross profit/sales	11.47	8.49	28.33	28.54	6.02	7.59	13.22	13.68
Net profit/capital employed	8.54	4.68	14.84	10.87	3.64	9.09	7.99	6.81
Inventories/sales	33.02	45.94	27.72	24.00	5.24	4.34	17.98	19.74
Wages/sales	7.78	9.34	5.27	5.18	8.64	7.86	24.39	25.79

ANDHRA SUGARS has secured an industrial licence to double the crushing capacity of the sugar factory to 5,000 tonnes per day and a 'letter of intent' to expand capacity of the caustic soda unit from 100 to 140 tonnes per day. The expansion of the sugar factory has been taken in hand and is expected to be completed within 2 to 3 years. Meanwhile, the company installed last year two mills for dewatering purposes and added this year four evaporators. Last year the company crushed 3,81,731 tonnes of sugarcane and produced 3,71,042 quintals of sugar with an average recovery of 9.72 per cent as against 3,45,362 tonnes of cane crushed and 3,50,310 quintals of sugar produced with a recovery of 10.14 per cent. The company produced 16,644 tonnes of superphosphate against 14,085 tonnes previously. Production of sulphuric acid was 5,799 tonnes against 6,584 tonnes. The cost of production this year may go up "substantially", as MMTC has stepped up prices of imported rock phosphate and sulphur. The distillery produced 44.18 lakh litres of industrial alcohol against 38.33 lakh litres. Production of acetic and anhydride was 548 tonnes and 634 tonnes against 325 tonnes and 446 tonnes, respectively. Production this year is likely to be higher because of regular allotment of alcohol to the plant. Demand for these products has also gone up. The ethyl acetate unit produced 456 tonnes against 315 tonnes. The two caustic soda units produced 7,984 tonnes against 10,396 tonnes, the output having been affected by the heavy power-cut. With the contribution from the second unit, which was commissioned towards the end of September last, production of caustic soda is likely to be higher this year. The chlorosulphonic acid unit could produce only 35 tonnes on account of shortage of raw material and certain technical problems, but is likely to show a better performance in the current year. The overall results of the company have been satisfactory, with modest increases in sales and gross profit. Net profit was considerably higher owing to saving in tax. Part of the dividend, maintained at 12 per cent, is expected to be exempt from tax. The distribution is covered more than four-fold.

ALFRED HERBERT (INDIA) has submitted to government revised proposals for manufacture of machine tools. The company received approval for manufacture of rubber processing machinery, but out of 7 items included in its application for manufacture of a selected range of machine tools, approval was received for only two items. There has been a delay of about 3 months in the construction of the company's factory building at Bangalore on account of non-availability of certain construction material. There was also a considerable delay in receiving licences for imported machine tools. In addition, the main suppliers of foreign equipment informed at the last minute that machines would not be available under deferred-payment terms. Alternative arrangements are being made for financing the purchase of these machines. The company expects to be largely involved in assembly during the first year of manufacture. The management expects the setback in the country's industrial production to continue in the current year not only because of the acute shortage of steel and other industrial raw material and power-cuts, but also because of the international oil crisis. It is felt that investment expenditure is likely to show some reduction causing an adverse repercussion on the demand for machine tools and industrial machinery. Even so, sales of the company should increase this year because of the wider range of machine tools and industrial machinery that it is now able to offer. During the year to October last, orders received advanced by 24 per cent to Rs 551 lakhs while sales increased by a mere 3.5 per cent to Rs 382 lakhs. This was mainly due to the disruption on account of industrial unrest for a period of 2½ months at the factories of the main supplier. Margins shrank and earnings were lower than in the previous year. Dividend, maintained at 10 per cent, was covered 1.75 times against 2.33 times previously.

RECKITT AND COLMAN OF INDIA has been allowed deregistration as a 'dominant undertaking' within the meaning of the MRTP Act. The company's plant for the manufacture of soluble analgesics was commissioned last year and the product under the brand name 'Disprin' introduced in selected markets. The first phase of expansion and modernisation of the ultramarine factory at Dhadka was also completed. The additional capacity provided for sizeable exports and also contributed to domestic sales. A plant for manufacturing Para Chloro Meta Xylenol, the basic ingredient of 'Dettol', has been set up to develop self-reliance. Previously PCMX had to be imported. The company produced good results for the year to October, with higher sales and earnings though gross margins were a little lower. Over the year, borrowings were reduced and the ratio of inventories/sales came down. Dividend is stepped up a point to 12 per cent. The accounting year has been changed to conform to that of the holding company in the UK. The current accounting period will cover 14 months upto January 4, 1975.

WHITCO, a new company, is establishing a synthetic detergent plant at Kalol in Gujarat with a capacity of 10,000 tonnes per annum. The plant is expected to go on stream by May next and the management hopes that it will produce about 4,000 tonnes in the first year and reach the installed capacity in the third. The project cost, estimated at Rs 118 lakhs, is proposed to be met chiefly by share capital (Rs 33 lakhs), loans (Rs 53 lakhs) and deferred payments (Rs 29 lakhs). The main raw material is alkyl benzene, which is at present imported, but is expected to be produced by Indian Petrochemicals by 1975-76. According to P B Dave, chairman and managing director, the company's turnover will rise from Rs 220 lakhs in the first year to Rs 610 lakhs in the third and gross profit from Rs 26 lakhs to Rs 107 lakhs in this period and shareholders could expect a dividend out of the profits of the very first year of production.

Post-Election Thinking

Romesh Thapar

THE reverberations of the recent elections are going to be felt for some time. At the moment, the reaction is amusing. The so-called situation-watchers are baffled that the Congress party has done so well in these wretched times, particularly in Orissa. As for the Congress chieftains, they had given up Orissa for lost and concentrated on Uttar Pradesh; the UP result, considering the input of time, talent and finance, has proved very disappointing. All in all, Indira Gandhi can still pull the votes, but the magnet is beginning to lose its power.

It is clear that the Congress party is unchallenged where the scheduled caste vote is concentrated. In addition the women are still, despite the crushing inflation, unable to see an alternative to "Indiraji". These two factors salvaged the ruling party. Had the Muslim vote operated traditionally, a comfortable majority would have been thrown up. This pattern is likely to prevail in the heartlands, so long as Gujarat-like situations do not develop. I say this because even in UP there is talk of teaching the manipulative Congress a lesson in the streets.

The Prime Minister must be relieved to find a wafer-thin majority. At one stage, this majority appeared most unlikely. Then, with a Congress-Communist alliance mooted, the fat would have been in the fire. Within the messy Congress party, powerful groups resent the dependence of the party on the Communists who are considered "untrustworthy" and "opportunist" — and the variety of CPI alliances and and adjustments certainly suggest this. As for the CPI, it would have been a traumatic experience to get involved with a Congress government in the explosive Uttar Pradesh situation. Better to be bandwagoners.

Other trends are also discernible in these elections. First, there is the rejection of revivalist parties like the Jan Sangh, which seek all-India status, and a marked preference for local formations. This marked development in eastern India found a reflection in the revival of the Jat-based BKD in Uttar Pradesh. Second, the utter irrelevance of the Swatantra line. It just doesn't seem to make any sense to anyone. Third, the frustrations of the Muslims and other minorities may well be mobilised by the new formations in the states. Fourth, no meaningful radicalism has arisen to challenge an unsatisfactory *status quo*. The demand is essentially for more efficient, responsive government.

The inflationary spiral, now reinforced by the budgeting of the Indira Gandhi government, is certainly going to spark a series of changes in class and caste alignments which will find their reflection in day-to-day politics. At our present level of performance, a price rise of 40 per cent a year is forecast. Imagine the turbulence in store for the country so long as it pursues the present mixed up policies, and the political will is lacking to order the correction.

Observers in the Capital are keeping their fingers crossed hoping that with the conclusion of this round of elections the Central leadership will move to order co-ordinated action to salvage the economy. The possibility that an obsession may develop over the Gujarat situation, where elections could be forced during the summer months and before the presidential election in August, is strong despite the expulsion of the notorious Chimanbhai Patel. The people of Gujarat, despite the unsubstantiated charge of Jan Sangh conspiracies, seem determined to deliver the Congress party a massive defeat. So far, a localised political formation, cutting across the familiar party labels, has not taken shape. It will be interesting to see what happens.

Those who keep their eyes on problems, and they are not a few in the labyrinth that is the GOI, have been so demoralised by election diversions and such like that they are convinced that we will just keep plodding along. The recent budgeting shows a lack of capacity to follow through any idea which is going to transform our jhuggi-jhompri situation. Even the titillators, who believe that a major Cabinet reshuffle is in the offing, are reluctant to get too excited. Cabinet reshuffles only excite the lobbyists who have files to process. The people want a purge of the corrupt and incompetent, and they want to see new faces.

Indira Gandhi, now that she has proved her continuing political relevance in this year of wretchedness, has a sizeable job ahead of her. The Congress party can no longer function in the manner that comes most easily to it. A new style of functioning will have to be evolved — and behind the new style, a new temper of co-ordinated administration, planning and implementation. The days of invocation and the "big lie" are fast disappearing. The mob is becoming hard-headed and can turn hostile within a matter of months. This thought should haunt Indira Gandhi.

Looking over one's shoulder there's Bangladesh with many more lessons . . .

March 4

TENDER NOTICE

Government of Tamil Nadu State

Agriculture Department

Chepauk, Madras 600 005

The Director of Agriculture, Agriculture Department, Government of Tamil Nadu State, invites tenders, for and on behalf of the Governor of Tamil Nadu State, from manufacturers and suppliers in the member countries of the World Bank and Switzerland, for supply of the following items of Well Drilling Equipment.

Sl. No.	Name of the Equipment	No. Required
	(a) *Well Drilling Equipment*	
1.	Hammer drill 200 psi	4
2.	Percussion drill	6
3.	Air Compressor 200 psi	10
4.	Hammer 200 psi	10
5.	Mud pump	10
6.	Hammer 100 psi	20
	(b) *Spares*	
7.	Drilling bit	100
8.	Drilling Jar	50
9.	Hammer bit (100 psi)	50

2. Indian manufacturers of the above mentioned equipment are also eligible to bid and will be given a price preference of 15 per cent, in the comparison of bits *vis-a-vis* the foreign bidders.

3. The Government of India have received a credit from the International Development Association in various Currencies equivalent to US Dollars, 35.00 million towards the cost of the Tamil Nadu Agricultural Credit Project and it is intended that portions of proceeds of this credit will be available for payments under the contract(s) for which this invitation to bid is issued. Payments by the IDA will be made only on approval by the IDA of an application presented by the Government of India in accordance with the terms and conditions of the Credit Agreement and will be subject in all respects to the terms and conditions of the Agreement.

4. The import licence will be obtained by the Director of Agriculture and payment of foreign currency cost and rupee cost will be arranged to be made by the Director of Agriculture as per procedure stated in the tender papers.

5. Those who are interested are requested to obtain copies of the tender papers from the Office of the Director of Agriculture on payment of non-refundable fee of Rs. 100/- per set.

6. The last date of receipt of tenders is 1.00 PM on 17-6-1974 in the Office of the Director of Agriculture and the tenders shall be opened at 3 P.M. on the same day. If 17-6-74 is declared a holiday, then the tenders shall be received upto 1 P.M. on the next working day and opened at 3 P.M. on that date.

7. Tenders will be opened in public, read aloud and recorded in the Office of the Director of Agriculture.

Director of Agriculture,
Chepauk, Madras 600 005.

Dated 25-2-74

Calcutta Diary

A M

TAILS you lose, heads I win. Nobody in New Delhi bothered when the Wanchoo Committee recommended demonetisation; in fact, much energy was at one point expended to suppress the fact that, scandal of scandals, it had been foolhardly enough to make such a recommendation. Never mind, the Committee has its residual uses. Rates of personal income tax have to be lowered for the affluent ones. It is a palpably regressive step, and mocks the draft Fifth Plan's well-intentioned inanity about reducing the absolute level of consumption of the top 10 per cent of the community. Like the polemicists never at a loss for a quotation from Marx, Lenin — and — if you will — Stalin or Mao Tse-tung, whatever the position to be defended or refuted, the government too can always come up with a justification for whatever sleight-of-hand it is currently indulging in. The not-much-lamented Wanchoo Committee's report is therefore dusted up. Quote scriptures, and you will be forgiven your disreputable meanderings.

Anti-Egalitarian Exercise

There could rarely be a more anti-egalitarian exercise. A poor clerk or artisan, reeling under the impact of inflation, will get nothing out of the slashing of the tax rates; a rich industrialist, with an annual personal income of 10 lakhs of rupees, will get something like an extra one and a half lakhs bulging in his pocket. The nearly sixty crores of rupees worth of revenue thus given up at one stroke can be recouped only through additional excises, or additional deficit financing. The consequences of either will be severest for the poorest sections; they will have to bear the burden of the government's generosity to the rich. The theory is of course well known: following the lowering of the marginal rates of taxation, tax-evaders will undergo a change of heart, this will lead to a proportionately larger collction of revenue, and what the government will lose on the rates swing will be gained back on the realisation roundabouts. In the present permissive climate, no such thing is likely to happen: having tasted blood, the habitual tax-dodgers will on the contrary now go for a larger kill, and the demoralised government will watch from the sidelines.

Smokescreens are nonetheless smokescreens. It has decided to raise the rates of the wealth tax, the government claims, as counter to the lowering of the personal income tax rates. Must one abdicate one's sense of proportion? Pray, how much extra revenue is going to be netted from this measure, anywhere near the sixty crores of rupees that are being given up? In a full year, the adjustment in the wealth tax rates is unlikely to yield much more than nine crores. This, who knows, is perhaps what is known as the Law of Unequal Exchange. Other such examples of diversionary tactics — increases in the imposts on cars, refrigerators and air-conditioners — are also there. The budget comes down heavily on the rich, screams the obliging headlines in the class-aligned newspapers. Does it? How many, even amongst the rich, buy new cars, refrigerators and air-conditioners every day? Ordinary men and women, on the other hand, have to battle with the inflation every second of every minute of every hour of every day.

In parliamentary democracy, politeness ought to be *uber alles*. It may therefore be considered ungentlemanly to say so, but could it be that those who put the Budget together had themselves, almost exclusively, in mind? Industrialists, surplus-raising farmers and traders are not afraid of inflation; they have nothing to lose but their inhibition to mulct, even more fiercely, the rest of society. It is the small farmers without any surplus to sell, the unorganised landless cultivators whose real wages keep shrinking, the urban working class whose compensation for the price rise is always partial and always with a time-lag, and the fixed salaried groups, who are at the receiving end when prices begin to spurt. Class interests being class interests, of all these groups, only the top layer of the fixed-income category is usually offered some hedge against inflation by the government. So it has been with this Budget. Till now, for example, a so-called senior civil servant was getting tax relief to the extent Rs 2,900 annually — Rs 2,400 for his car and Rs 500 for buying books; because of the gesture announced on February 28, he will get a further relief of Rs 600, over and above what he will in any case get from the across-the-board reduction in tax rates.

The Kind Budget for the Rich

The richer you are, the kinder the Budget has been for you. A new philosophy has been ushered in. Enough is enough, socialist evocation has had its day, somehow industrial output has to be pushed up, there is no other way of either reviving general

economic growth or curbing prices. So placate the affluent, restore their confidence in you, in such uncertain times you must not throw away the trust of those whose class interests are closest to yours.

Dyke is Burst

But will it click? Will industrial output pick up? Even assuming that the comfortably placed have investible funds tucked away here and there, what higher law of patriotism will induce them to bring these out and pump-prime growth? If the rate of inflation remains what it is at present, resources will continue to yield much more if sunk in speculation. And if the rate of inflation remains what it is, threats and cajolings and moralisings will be of no avail, organised labour will continue to be disgruntled. The Budget, after all, does not make the least pretence of being anti-inflationary. The uncovered gap of Rs 125 crores is only a curtain-raiser. Simply apply the rule of three: if last year's initial gap of Rs 87 crores could end up into a final tally of Rs 650 crores — and that too after some fudging —, a deficit of Rs 125 crores to start with assumed for next year could reach anywhere around Rs 1,000 crores by the time it is the ides of March, 1975. For consider the ingredients of the assumption. Food subsidy is being promised to be brought down from around Rs 250 crores this year to Rs 100 crores next year. How? Even before the season has properly commenced, Maharashtra has raised, unilaterally, the procurement price of wheat to Rs 105 per quintal. The gentlemen-farmers in the north-western parts of the country will now demand as much, if not more, for their wheat; after all, despite the final outcome of the elections, Charan Singh and his ilk remain in full cry in Uttar Pradesh, and their comrades-in-thought are unlikely to lag behind in Punjab and Haryana. If 5 million tonnes of wheat are to be procured in the coming months, this itself may thus cost Rs 100 crores more to the exchequer, unless issue prices are to be further raised. And the ripple is bound to reach rice and paddy and jowar and maize. If issue prices are raised, cost of living goes up, so that more and more dearness allowance is to be handed out. The Budget piously sets aside Rs 120 crores for additional payment of dearness allowances during the year. Depending on how the inflation progresses, the ultimate figure could be three times as much: New Delhi had for long maintained the fiction that if state governments want to offer their employees dearness allowance at the Central rates, that is their business, they must not however expect any additional financial assistance from the Centre on this score. This high principle has been scuttled this year for the sake of ensuring Hemavati Nandan Bahuguna's continuance as Chief Minister of Uttar Pradesh, where the state government employees were promised last December dearness allowance at the Central rates. The dyke is now burst: since UP's need for extra funds is to be met by New Delhi, each of the other states will also decide to be generous at New Delhi's expense.

The merry season was already on because of the elections. It will now extend. Some other pretensions will gradually fall by the wayside. In view of the ample provisions made by the Finance Commission in the matter, there is no further need, according to the Budget, to provide for relief to the states on account of natural calamities. Just you wait. Gujarat's affections have to be bought back. Besides, if 1974 is here, can 1976 — when the drama of Lok Sabha elections will have to be enacted — be far behind? Alibis will therefore not be lacking to pour money into the states. If not anything else, one should always be able to think up such sturdy perennials as emergency programmes for raising the output of farmers or lowering the magnitude of unemployment amongst the educated.

So there it goes. You scan the hapless Finance Minister's Budget speech. The usual collage of cliches apart, it does not mention one concrete measure about how to bring down prices. The notion of alienation has been lifted to the highest possible plane: the Budget has been assumed to be totally dissociated from the processes of the economy, and perhaps *vice versa*. Haven't you taken note of the official spokesman's claim that its impact on cost of living will be 'negligible'? A more honest statement will be difficult to come by: cost of living will, rest assured, keep mounting despite the Budget.

It is witticism of a particularly ghoulish species that the Budget still finds space to talk of the Plan, which, malicious gossip notwithstanding, apparently still exists, *vide* speeches of ministers on the floor of Parliament. Even in terms of the draft Fifth Plan's scheme of financial outlay, public expenditure on the Plan in 1974-75 should have been larger by more than Rs 1,000 crores than what it is likely to be in the year now ending. As laid out in the Budget, the proposed rise in money expenditure is only about half of that, and that too as a result of some accounting gimmickry with the provisions for depreciation. As months proceed, the actual Plan outlay is likely to be even less, for, by then, the exigencies of the short-term would begin to pre-empt most of the government's available finances.

Expenditure on Armed Services

But at least something has been salvaged from the ravages of inflation. Others abide the questions, the defence outlay is free. From year to year, expenditure on the armed services, that greatest holy cow, after Mahatma Gandhi's concept of non-violence, in the Indian polity, has been raised. Nearly 5 per cent of national income, yours and mine, will be spent on guns and tanks and missiles and destroyers and fighter-bombers and contractors' cuts. You have no right to ask, what for. For ensuring external security, someone has convinced New Delhi two reasonably hostile Islamic countries across your border are better than one. If yor are still determined to stay facetious, maybe you should be reminded of the Emergency and the Defence of India Rules. That war in December 1971 was on for a bare thirteen days, from the third till the sixteenth of the month, and Sheikh Mujibur Rehman has now promised to mediate between us and Pakistan. So what, our government has the prerogative to feel insecure, and hence blow as much money as it wants on military toys. As personal income tax rates have been brought down, even if prices have not been, the leader-writers in newspaper offices will cheer it and its Budget along. At least for the next couple of months.

Cynicism, let it be readily admitted, leads to nowhere. But to what heights of positive thought is this Budget capable of lifting one? The fault, dear Cassius, is not in ourselves, but in the philosophy of our ruling class, which asserts that the cure for runaway inflation lies in allowing the rich to retain more of their excess profits.

THE BUDGET

A Tale of Two Committees

ACCORDING to all objective assessments made so far the Wanchoo Committee's Report was shallow and superficial. Yet this is the one Report that the government has taken closest to its heart. Compare to it the fate of the Report of the Committee on Taxation of Agricultural Incomes. A comparison of their major recommendations is instructive. The Wanchoo Committee had found that the evasion of direct taxes was not only high but mounting over the years. So it recommended that the best way of tackling the problem of evasion was to reduce the rates applying at the highest levels. The Committee noted that the non-taxation of agricultural incomes was inequitable and also provided a ready avenue for evasion of income-tax on non-agricultural income. So it recommended that agricultural income should be aggregated with other income and taxed as such. The Wanchoo Committee noted also that "the institution of the HUF is widely used for tax avoidance" but still recommended that the HUF should continue to be treated as a separate tax entity, though it should be taxed at higher rates than individuals. Also, it was brought to the notice of the Committee that even among 'individual' tax-payers there was a widespread practice of diverting their incomes to members of their families, but the Committee could not bring itself to recommend the clubbing of family incomes.

The Raj Committee was to concern itself only with the taxation of agricultural incomes, but some of the major problems it faced were no different. Accepting that the exclusion of agricultural incomes was inequitable, the Committee found that mere aggregation with non-agricultural income might not effectively reduce the inequity. So it suggested separate taxation of agriculture. On the question of calculation of taxable agricultural income, the Raj Committee opted for what may be called presumptive income based on the productivity of land which is objectively measurable rather than rely on the individual assessee's statement of his actual yearly earnings. The Raj Committee too had to contend with the questions of HUFs and clubbing of family income. On both these questions, it made very clear recommendations rejecting the Wanchoo Committee's approach. The Raj Committee suggested total de-recognition of HUFs for tax purposes because in its opinion the Wanchoo Committee's solution of taxing HUFs at higher rates could be easily circumvented. As regards clubbing of family incomes for purposes of taxation, the Raj Committee regarded it as a most necessary as well as desirable reform.

The latest Central Budget, however, puts its final seal of approval on the Wanchoo Committee's recommendations in absolute disregard of the Raj Committee's arguments to the contrary. The drastic reduction in the rates of income tax applying to the highest slabs of income is evidently the culmination of the process started some time back of implementing the Wanchoo Committee's proposals. As far as the 1974-75 Budget is concerned, this is the single thread by which it hangs; everything else in the Budget follows from it.

In the space of a little over four years and five budgets (including the interim budget presented before the 1971 elections) Y B Chavan has reversed his position on income tax rates. In his 1971 interim budget he had spoken of "larger social objectives" and the need to "redistribute incomes and wealth by suitable changes in the fiscal system". He not only raised the personal income tax rate from 82.5 to 93.5 per cent but also referred to "the task of widening and deepening the resource base" and of enlarging the tax base. Later he raised the personal income tax rate further to 97.75 per cent. Of course, he never applied himself seriously to reforming and enlarging the tax base.

Now the highest rate of personal income tax has been scaled down to 77 per cent on the strength of the Wanchoo Committee's recommendation. The Wanchoo Committee had expressed the view that "prevalence of high rates is the first and foremost reason for tax evasion because this is what makes the evasion, in spite of attendant risks, profitable and attractive". The Finance Minister has evidently been won over to this point of view. But "in order to ensure that the effectiveness of the fiscal instrument for reducing disparities in income and wealth is not impaired" he proposes both to increase the rates of wealth tax as well as "to rationalise some of the exemptions available at present under the Wealth Tax Act". Thus he appears to be balancing the one against the other. But does he? The changes in the wealth tax yield only Rs 9.5 crores in a full year while the reduction of rates of personal income tax are to cost Rs 60 crores. A nice balance indeed!

Of course, Chavan is hopeful that there will actually be no loss of revenue on account of the reduction in income tax rates as he expects that the reduction in the rates of taxes will lead to better tax compliance, and full disclosures of incomes by all tax payers. What this really amounts to is to expect that a person who was formerly paying 97.75 rupees by way of tax on his declared (or detected) income of Rs 100 will, now that he would have to pay Rs 77 by way of tax, disclose a further Rs 27 so that the exchequer can collect an additional Rs 20.75. This might have happened if the reduction in tax rates were backed by an effective measure or two to widen the tax base.

Perhaps what the Finance Minister really meant was that with the coming into effect of the Taxation Laws (Amendment) Bill, 1973, the enforcement of the tax laws would become more effective and as a result enough additional revenue would accrue to make up for the loss on account of reduction in income tax rates. But then he ought to be aware that serious doubts exist not only about the rationale but also the revenue implications of the major provisions of the aforesaid Bill.

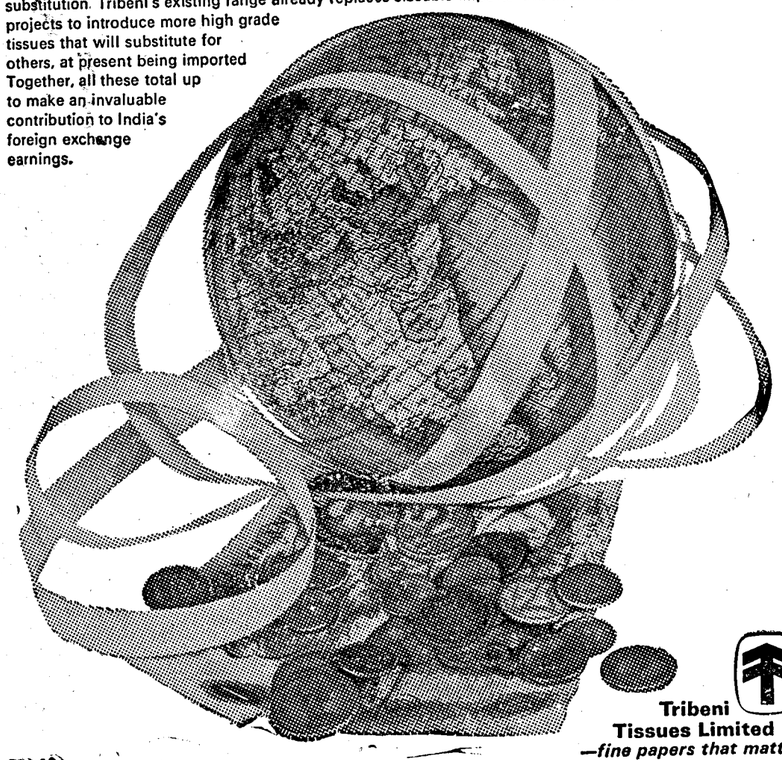
Take, for instance, the provision in the Bill allowing non-salary earners a deduction of upto 5 per cent for house rent (excess of house rent upto 15 per cent over and above 10 per cent of total income, subject to a maximum of Rs 300). This provision is based on the Wanchoo Committee's recommendation and is ostensibly intended to place non-salary earners on an equitable footing with salary earners. But surely no one can seriously suggest that in the matter of income taxation the balance of advantage ever lay in favour of salary earners in comparison with non-salary earners. Even in countries with far more effective taxation of personal incomes, salary earners are at a disadvantage *vis-a-vis* non-salary earners for the single most important reason that the former do not enjoy the privilege of

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returning their income. The proposal now made that salary earners getting Rs 1,500 a month and less would not be required to submit returns is a mere sop and does not meet this point. It only relieves the Income-Tax Department of some bother and that too only if one accepts that these returns were at all being attended to it in the past. That consideration apart, the cost to the exchequer is conservatively estimated at Rs 30 crores of just this provision.

Then there is the provision to allow deduction of interest on loans taken for paying taxes, again as recommended by the Wanchoo Committee. This is a measure which is open to considerable abuse. Even on its merits, the measure's rationale is highly questionable because the accepted principle of deduction is that the items of expenditure must be one which is incurred in the earning of income. Again, to put it conservatively, the cost to the exchequer of the provision might be of the order of Rs 20 crores a year.

True, the Taxation Laws (Amendment) Bill contains much more than that. But will it help the exchequer to bring in some sizeable additional revenue? Neither the Finance Minister nor any of his spokesmen has come up with such an estimate, though one hears corridor talk that the government expects to collect about Rs 300 crores a year additionally when the provisions of the Bill come into effect. If this rumour is correct, then the government is being taken for a ride as it has been in the past in the matter of measures adopted from time to time whereby the tax authorities were given the widest powers which they never really invoked effectively enough. It must be conceded though that such measures did raise the possibilities of blackmail and therefore the scale of hush money and bribes.

FIELD DEMONSTRATIONS

Ineffective Show-pieces

THE National Demonstrations, regarded by the government as the king-pin of the extension strategy to spread HYV-based technology in the rural areas, will complete 10 years of its existence this year. The period is long enough to evaluate the 'demonstration effects' of the programme.

Field demonstration of agricultural innovations is a valuable tool in the extension man's kit. The demonstration method has been extensively used for educating the farmers in the country ever since the 'compost pit' days. But field demonstrations have assumed new importance with the introduction of the HYV-based new technology. This technology calls for greater precision, punctuality, and standardisation of farm management practices less crucial to traditional farming, and field demonstrations are best suited to communicate these requirements to the farmers.

Nation-Wide Programme

It was thus in 1964, on the advice of its panel of scientists, that the Ministry of Food and Agriculture initiated a nation-wide programme of demonstrations known as 'National Demonstrations on Major Food Crops' as a component of the New Strategy in Agriculture. These demonstrations were different in three major respects from the demonstrations that were already being conducted by our extension agencies. First, the demonstration would be conducted by the scientists themselves. Secondly they would be conducted on the fields (one hectare plots) of the actual cultivators. And thirdly, there would be specific yield targets and no control plots. It was assumed that the striking contrast between the crop in the demonstration plot and that in the rest of the area of the whole block would ensure the desired impact on the farmers.

In 1966 the Department of Agriculture in the Ministry of Food and Agriculture decided to have, as part of the International Rice Year Programme, 1,000 demonstrations for rice alone. The demonstrations were said to have proved 50 effective, that it was decided to continue them as 'first-line demonstrations' by the research workers. The administrative responsibility for them was transferred from the Department of Agriculture to the ICAR. Since then the ICAR has operated the All-India Co-ordinated Project on National Demonstrations.

The ICAR has added several dimensions to the programme. The whole approach of the National Demonstrations Programme has been re-oriented by introducing the concept of 'productivity per day of crop stand' in place of mere productivity per acre. Multiple cropping — the greatest natural asset of the tropical and sub-tropical areas — has been made the key-note of the demonstrations. Consequently, demonstrations now cover practically all field crops, including vegetables. In 1968, the demonstrations were extended to the unirrigated areas too. Demonstrations on problem soils, e g, saline soils, etc, have also been added. Thus, demonstrations now aim to go beyond the HYV-technology to other technological innovations relating to dry farming, problem soils, etc. To make the demonstrations more effective, the farmers' training programme too was reoriented in 1970, to centre around the demonstrations. In 1971-72, nearly 28,400 farmers were involved in the programme in 24 districts in eight states. In the same year, 1,731 national demonstrations were conducted throughout the country. There were 57 agencies — agricultural universities, colleges, central institutes, and some state departments too, collaborating in the programme. Of the total, 769 and 943 were three-crop and two-crop demonstrations, respectively; only 19 were single-crop demonstrations. Wheat was covered by 1,337 demonstrations. Paddy was covered by 1,238 demonstrations. Other important crops included in the demonstrations were maize (269), bajra (265), moong (215), jowar (95), and groundnut (130). The potential of the new technology and methods of harnessing it were demonstrated through one-hectare plots — including on the problem soils — in districts throughout the country.

Forerunners of Changes

The National Demonstrations are claimed to be the forerunners of changes, as an effective mechanism for linking the scientist with the extension worker and the farmer, and as a necessary channel for facilitating the two-way flow of information between farm and laboratory. However, if the actual field experience is any guide, the above claim would have to be qualified.

The demonstrations are certainly a step towards bringing the farm scientists out of their ivory towers to test for themselves the validity of their recommendations on the cultivators' fields. Similarly, the demonstrations have been able to persuade the farmer as to the miracles the new technology can perform — given adequate resources and technical support. But if their real success lies in the 'demonstration effect', to be judged by the extent of

adoption of the demonstrated package of technology by the farmers, then we find that with respect to this crucial test the national demonstrations have not been successful. Their success seems to have been restricted mainly to popularising the HYV seeds in the initial phase.

Indeed, there are no data available to evaluate the success of the demonstrations by the criterion of actual adoption of the demonstrated package. The ICAR's own reporting system is completely silent on this. It indicates the success of the demonstrations only in terms of the production on individual plots in relation to the targeted production on them. The reports underline that most of the plots have exceeded the targets; the percentage of such plots was 87, 69, 80, 78 and 59 in the case of paddy, wheat, maize, jowar and bajra, respectively, in 1971-72. In the case of groundnut, jute, and tobacco, the corresponding proportions were even higher — above 90 per cent. Average yield (quintal per hectare) was 55.18, 45.01, 39.17, 42.61 and 26.61, respectively, in the case of the major foodgrains listed above. These yields were substantially higher than the normal yields in other areas.

Slow in Adopting New Technology

Had the basic premise, that the farmers having seen such sharp contrast in the crop yields on demonstration plots and on other farms, would readily adopt the demonstrated technology, been true then the adoption of the package of new technology including multiple cropping, etc, should have been highest in the areas saturated by national demonstrations — mostly around the agricultural universities and central institutes — in the various states. In fact, however, even a casual observation would show that farmers in the 'demonstration' villages or areas are as slow in, or as indifferent to, adopting the package of the new technology as are the farmers in the rest of the villages in that region. Levels of adoption, of recommended practices and doses of inputs, are hardly different in the two situations. Even the farmers whose lands have been adopted as demonstration plots seldom adopt the demonstrated package of technology for the rest of their land or even for the 'demonstration plot' in the ensuing seasons. While most farmers evidently admire the high yields on the demonstration plots and are convinced about the miracles the scientist could perform in their very neighbourhood, they do not find it possible to replicate the same in their own fields. It is important to recognise that this failure of demonstration effect is largely built into the *modus operandi* of the National Demonstrations.

Unlike the generalised 'package of practices' normally doled out to the adopters of HYV, the National Demonstrations aim to be 'site or location specific'. The operations and inputs at various stages of crop production are determined by the scientists themselves on the basis of thorough analysis of various site factors — such as slope, depth, texture, drainage characteristics, fertility status, presence or absence of soluble salts in soil and water, etc, of individual plots. Services of various concerned specialists are readily available throughout the crop season for this purpose. Moreover, the required quantities of material inputs, such as new seed, plant nutrients, and insecticides-pesticides, are readily and punctually supplied by the demonstrating agencies. Thus the National Demonstrations differ from the research institute's farm trials only in that they are conducted on the cultivators' plots and the cultivator supplies the conventional inputs like labour, water, etc, according to the detailed recommendations of the scientists.

The 'demonstrations' are consequently too contrived to be operationally relevant to — or normally within the reach of — an ordinary farmer, who has to depend on district-level or area-level recommendations of fertiliser doses, etc (in place of the scientist's plot-specific recommendations), who is unable to receive attention of even the VLW (who will ordinarily replace the team of subject-matter specialists), who has to completely go without or manage with limited, untimely, and at times adulterated, supplies of crucial inputs at black market price, and finally who has to bother about the real economics of the whole enterprise — unlike demonstrating scientists whose sole preoccupation is the physical performance of a single plot.

Another Major Hurdle

The economics — operating both from the cost and the returns side — is thus yet another major hurdle for the farmers in adopting the technology as demonstrated. By ICAR reports, per-hectare net returns (in Rs) from the demonstration plots during 1971-72 for different crops worked out as follows: paddy 2,318, wheat 2,355, maize 1,539, jowar 1,552, bajra 1,338, ragi 1,525, groundnut 2,233, fodder crops 2,420. The figures are quite impressive, and, if true, they show the potential of the new technology for making most small farmers viable. However, one does not get in the reports any details of costs and their components. Even if the heavy cost of technical component (*viz*, the services of scientists and vehicles used by them) is excluded, the cost of replicating the 'demonstrated technology' on all fields would be too enormous to be afforded even by richest of the farmers. Thus the high capital intensity of the demonstrations tend to reduce their demonstration effect. Any demonstrations to be effective, would need to be re-oriented to take into account the physical and financial constraints on real-life farmers. Failing this, the demonstrations would continue to be ineffective show-pieces.

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FOOD CROP PROSPECTS

Without Plan or Calculation

THE bumper kharif harvest came and went leaving little impact on foodgrains prices or foodgrains availability. The phenomenon falls into a by now well-established pattern. Following the failure of the monsoon in 1972-73, the government launched a special programme for the rabi crop of that year which cost it nearly Rs 200 crores. Yet the rabi crop yielded only 24.92 million tonnes of wheat — as against 26.40 million tonnes of rabi wheat produced without any special campaign in the preceding year. Before too many questions could be asked about the negative pay-off of the special programme, the good monsoon of 1973-74 brought with it the usual flood of optimism. The government confidently forecast the foodgrains production for 1973-74 to be 115 million tonnes (67 mn tonnes of kharif output and 48 million tonnes of rabi output). But, despite the bumper kharif harvest, people in most areas got hardly any relief.

Will the forthcoming rabi wheat crop afford any hope of relief? That would depend both upon production and procurement. It is clear by now that one can hope for little on the procurement front. The government declared last week in parliament that foodgrains shortages would continue even in days of plenty unless the link among speculators, hoarders, and big farmers is broken. The government itself evidently does not see this as its own role. As for production, optimists had initially put the likely wheat output at around 30 million tonnes. This would now have to be drastically scaled down in view of the many factors which threaten to reduce wheat production this year.

While actual production would be more accurately known within the next two months, an analysis of the factors affecting the wheat crop would give an idea of what is in store. It has to be noted that most of the factors which had contributed to the poor wheat crop last year — the costly rabi campaign notwithstanding — have been compounded with others this year.

Take the weather conditions first. Weather — in terms of residual moisture and availability of canal water and recharge in the wells — was more favourable this year; but weather conditions at a later stage of the crop have adversely affected it in the north-western wheat-growing regions. Reports are that the growth of wheat has been stunted by the severe cold in December and January and by the absence of winter rains. Nor are the rains in February in some regions likely to help any. The frost in several areas has also damaged irrigated wheat far more then rain-fed wheat. In some areas of Haryana, the farmers are reported to have burnt the wheat crop already killed by the frost.

The Punjab Agricultural University scientists had warned earlier that low temperatures and humid conditions, prevalent in December-January, were conducive to the spread of 'rusts'. The rusts were widespread last year too, but their impact is more damaging when they appear at an early stage of the crop as has happened this year. Appearance of yellow and brown rusts has already been reported from major wheat-growing areas such as Gurdaspur, Patiala, Rupar and Hoshiarpur districts in Punjab, and Kurukshetra and Ambala districts in Haryana. In parts of Rajasthan, as investigated by ICAR experts, rusts had assumed alarming proportions about two months ago, apparently due to the early sowing of Kharchi — a local variety of wheat.

Fertiliser Shortage

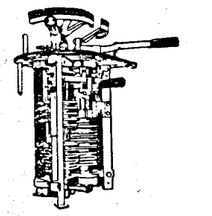
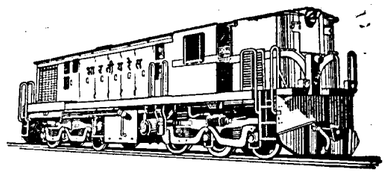
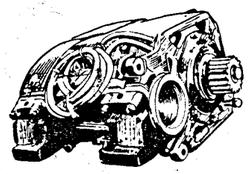
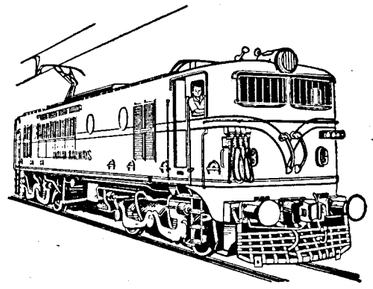
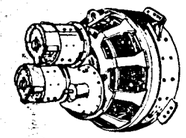
In supplies of crucial inputs, such as fertiliser and irrigation from tubewells, the current season is worse off than last year's. Chronic shortage or irregular supplies of often-adulterated fertilisers, is common. For instance, UP's fertiliser requirement was estimated to be 5.5 lakh tonnes; the actual quantity made available — despite the special concessions in the pre-polling period — was only 3 lakh tonnes. Requirements for basal dressing were 60,000 tonnes; only 34,000 tonnes were made available. Haryana's estimate of its own requirements of nitrogenous fertiliser was one lakh tonnes; this was pruned to 76,000 tonnes by the Centre and the actual quantity allocated to it was 72,000 tonnes — 18,000 tonnes of it being made available at the end of January. Punjab's actual allotment (1.85 lakh tonnes from August to January) matched the Centre's estimate of the state's requirements, but the very slow pace of supplies, touching as low as 500 tonnes a day, as against the normal supplies of 2,000 tonnes a day (ostensibly due to railway strikes) during the crucial stages of the crop made the allocations meaningless.

These shortages at the state level tell only part of the story. Their impact the farm level in the major wheat-growing areas was far worse. Not only did adulteration, underweighments, and transfer of fertilisers to the black market even by the co-operatives, take place (as was discovered by studies carried out by the Punjab Agricultural University and UP's State Planning Institute), but government had to go back on its undertaking to supply fertiliser on a priority basis to 'coupon-holders' who had sold their wheat to the procurement agencies since the wheat trade take-over last year. Moreover the oil crisis has added to the high price of fertilisers and pesticides; compared to last year, the prices of 'contact' pesticides like Malathion, DDT, BHC, etc, have increased by 20 to 30 per cent.

The oil crisis through its impact on diesel has also aggravated the already acute energy problem for tubewells. As a result, even during the critical stages of the crops, power was made available to the tubewells for only three to five hours a day in Haryana, Punjab, and Western UP. The consequences of these shortages for the wheat crop — especially since the winter rains had failed — hardly need elaboration.

A serious shadow on the wheat prospect, which has emerged only this year but has longer term implications, is that of the suspected shrinkage of wheat acreage — particularly the acreage under HYV-wheat. The Farmers' Forum claims that the area under wheat has declined by about 20 per cent in Punjab and by about 20 per cent in Haryana. No information is available about the other wheat-growing stages. While one may not take such reports at face value — especially as they are presented as part of the Forum's claims to success and its attempts to dissuade farmers from growing wheat as a protest against the government's decision to take over its wholesale trade — the decline in wheat acreage this year is quite credible.

Take-over of wheat trade has completely changed the relative profitability of the different crops. The net profitability of wheat (despite its high yields) has declined substantially, especially due to the high blackmarket prices of crucial inputs and the controlled procurement price of the crop. A shift in the acreage is thus a response to this situation. HYV-wheat

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has been replaced in several areas by gram, barley, and mustard, which involve much lower input cost and have a free market. An evidence of this is the sharp increase in the area under barley in Punjab and Haryana: in Punjab it has increased from 55,000 hectares last year to 73,000 hectares this year; the corresponding figures for Haryana are reported to be 1.5 and 2.5 lakh hectares. Barley needs less fertiliser and only two or three waterings compared to at least six for HYV-wheat. Further, barley fetched nearly Rs 130 per quintal last year, whereas wheat was to be procured at Rs 76. The demand for barley from distilleries and breweries no doubt contributed to this shift of acreage to it in some areas, but in other areas the alleged reasons are the take-over of wheat trade and the non-availability of inputs.

A farmers' representative, recently invited by the Agricultural Prices Commission to discuss wheat prices, put it acidly thus: "How long can one expect the farmer to grow wheat in circumstances where he is compelled to sell his product at official price after having been earlier compelled to pay exorbitantly high black-market prices for all the crucial inputs for raising the same crop?" Even in terms of its own strategy then — *viz*, of focusing on the large farmers to obtain higher production of foodgrains — the government has evidently failed to ensure results.

DHULIA

Over a Century of Tyranny

S D Kulkarni

WHAT will probably be a prolonged conflict is now going on between the Bhils and the Gujars in some parts of the Dhulia district of Maharashtra. Adivasis constitute about 37 per cent of the district's population,[1] and a majority of these are Bhils. Some of them work as 'saldars' — i e, labourers on a contract of one year — on the farms owned by the Gujars, Leva-patils, and Rajputs. Gujars are now the main land-holders. But Gujars, Leva-patils, and Raputs have, by force and fraud, expropriated most of these lands from the Adivasis in the past.

Ruthlessly Exploited Bhils

Bhil saldars, though formally on contract for a year, are in effect near-slaves. Landlessness and poverty have forced them to work on Gujar farms, for very low wages and for very long hours of hard work. They are usually bogged down in debt to the Gujars who have used that indebtedness to dispossess the Bhils of their lands and to ruthlessly exploit them. Instances of flogging of Bhil labourers, rape of Bhil women, burning of Bhil huts, and other atrocities are not uncommon. Since the rich Gujars virtually control the administration, their crimes against the Bhils go unnoticed and unpunished.

During the last few years, efforts have been made to organise the Bhils to resist such treatment at the hands of the landlords and the administration. Under the leadership of the late Ambarsingh Suratvanti (who died on February 25 after a prolonged illness), and with the help of some social workers now working in the area, the Bhils have started to demand better wages and working conditions. This has evoked stiff resistance from the Gujars and their allies in farming, trade and the bureaucracy.[2] Their attempts to raise a private army, under the guise of a 'Crop Protection Society' have not succeeded so far, mainly, it would seem, on account of pressure of public opinion. But clearly, the struggle will be a prolonged one, since it has a long history of oppression behind it.

In fact, the present conflict between the Gujars and the Bhils began in the 1850s, when the Gujars made near-slaves of the Bhils, using the laws and legal procedures constructed by the British. It is, indeed, very revealing to study the evolution of the relationship between the Gujars and the Bhils — what made masters of the former and gave them power to treat the latter as slaves.

Gujaratis were living in Khandesh[3] long before the establishment of British rule. But, in the last few years of Maratha rule and particularly during the terrible famine of 1803, they returned to their areas. After the establishment of British rule (1820), many of them returned to Khandesh. It is, however, noted in the Gazetteer that "In 1837, it [Khandesh] was still miserably populated, large tracts being held by Bhils".[4]

Gujarati 'vanis' were the first to settle down in various parts of Khandesh. Gujarati 'kunbis' settled down in these parts mainly after the establishment of British rule. They were attracted by the fertile lands in the Tapti valley, and they settled down as cultivators. Gujars are one of the prominent sections of Gujarati kunbis. It is noted in the Gazetteer that "Guzars from a great portion of the cultivators in some of the northern sub-divisions" (p 136). It is also noted that "Dhangars, Mhars, and Bhils are found here and there tilling on their own account". In addition to undertaking cultivation, Gujars operated as moneylenders.

Rapid development of agriculture in Khandesh started after the establishment of British rule. Cotton was one of the chief crops. The Government made systematic efforts to encourage the cultivation of cotton between 1830 and 1880. In 1831, the Collector bought £ 1,500 to 2,000 worth of cotton. In 1832, £ 800 worth of cotton was bought to be sent to China. New varieties were introduced. Cotton gins were established. All these efforts helped the commercialisation of agriculture in Khandesh.

Capitalist Farming

The process was further aided by the development of roads and the opening of railways. "The portion of the line, about 142 miles, within Khandesh limits was begun in 1852, and opened for traffic between 1861 and 1865" (Gazetteer, p 210). The Gazetteer notes: "Since 1852, by the opening of the railway, the trade of Khandesh has greatly changed and developed. Between 1868 and 1878, the figures show an increase in passengers from 4,75,406 to 7,27,505 and in goods from 43,121 to 1,14,540 tons" (p 215). This encouraged capitalist farming in Khandesh. The Gazetteer mentions that, in north-west Khandesh (where the Bhil-Gujar conflict is currently taking place), "the land-holders are mostly Guzar capitalists, not peasant proprietors". It is also mentioned that they engaged Bhil labourers for actual cultivation. This was done in two ways:

(1) A Bhil was engaged as saldar (or Awtya), or
(2) He was given a field on hire on the share (gavand) principle (and was called Gavandya).

Saldars were near-slaves, and breach of contract of service was a criminal offence. Government of India Act 13, of 1859, — an Act to provide for the punishment of breaches of contract by Artificers, Workmen, and La-

bourers in certain cases — laid down that the Magistrate might order repayment of advance or performance of contract in certain cases of breach of contract of service (Section 2). However, under the Act, the Magistrate had power to exercise an equitable discretion whether to or not enforce a contract of service.[5] To evade such a scrutiny, the Gujar resorted to a different trick. Government of India Act 8 of 1859 (Code of Civil Procedure) made a provision for execution of decrees by attachment of property or "by imprisonment of the party against whom the decree is made" (Section 200). They started to take bonds from the Bhils for sums of money said to be advanced, so as to bring the case under the Civil Procedure Code.

This is described by Pritchard as follows:

"Every Guzar has a bond on stamped paper purporting to be executed by his servant, acknowledging the loan of a sum of money the man can never by any chance repay. Directly an Awtya shows a disposition to leave a Guzar's service, his master files a suit against him in the civil court for the amount set forth in the bond. The Bhil, knowing he has no chances of success, does not appear to defend the suit. The Court accordingly decrees against him, and a distress warrant follows; the poor wretch's few household goods are seized, any little ornament his wife may possess is taken from her, and he himself is arrested and carried off a prisoner to the Munsif's Court. These *his master, having reduced him to a state of utter helplessness, offers him his choice of returning to work or going to Dhulia jail.* [Emphasis original.] He returns to service with his liabilities increased by the costs of the suit, of his own arrest, etc, and with no proper arrangement with his master. It is no part of the duty of the Court even then to see that his master is bound down to treat him fairly. He serves on for a few more months, or perhaps years, on a pittance of grain and the smallest quantity of clothing that will cover him, until tired out, he again strikes work; again his master rushes off to the civil court, and this time the Bhil is not even invited to have his say; the former decree is still unsatisfied, and another distress warrant is issued without further inquiry. The first the Bhil hears of it perhaps is from the *sepoy* who has come to arrest him. And so it goes on from year to year. What is this man but a slave? What hope has he? What redress is there for him? He cannot appeal to the judge, even if his friends manage to provide the money necessary, as he did not defend the suit originally brought in the Munsif's court. He is a mere chattel to be disposed of whenever his master wants money. It is *a common occurrence for one Guzar to sell his Awtya to another under the pretence of a transfer of the Awtya's debts.*[6] [Emphasis original.] A well encumbered Bhil, with a decree of the civil court out against him, is a more valuable commodity in the west than one whose liabilities are limited". (Report by Pritchard, First Assistant Collector, Khandesh, dated July 1, 1870, quoted in Deccan Riots Commission Report, Appendix B, p 166.)

Cruel Method

The Gujars used a very imaginative and cruel method to enslave the Bhils. Very often, in addition to the Bhil debtor's name, his mother's name was also entered in the bond and this increased the Gujar's hold over the Bhil. It is remarked in the Gazetteer that "as a Bhil will suffer anything rather than disgrace his mother, the threat to send his mother to Dhulia jail is at any time enough to make the Bhil do whatever his master wishes."[7] Such was the state of affairs of the saldars or Awtyas. The story of the so-called Bhil partners who hired fields from the Gujars on the share (or gavand) principle was not very different.

To avoid recourse to a suit for breach of contract under Act 13 of 1859, Gujars made Bhils partners in their farm under a stamped agreement.

"The Guzar agrees with the Bhil that the Bhil is to till the Guzar's land and that they are to share the produce. An advance is made to the Bhil to buy bullocks, and a bond is drawn up with a premium of 25 per cent. The Bhil grows the crops and is fed by the Guzar. At the end of the year the Guzar takes the crop and puts off the Bhil on the ground that he has to pay for the bullocks. Next year the Bhil again gets clothes and food and is told he has still something to pay. He asks for a settlement of account, and as a preliminary for a new stamped paper. With few soft words, some money to buy a robe for his wife, and a little liquor, a new bond is made, the meaning of which the Bhil does not understand, and he goes back to his work hoping for better luck next year. After struggling on for a year or two he determines to leave. Then he finds that his partner, or master, has his acceptance for £ 20 (Rs 200) or more; that the bullock he had toiled for is not his, and that he and all he has are at his master's mercy. A decree is made and the Bhil's goods are seized and sold. Then his master offers him a chance of return, and he serves for some time more. Again he grows tired of his position and refuses to work. The master has still some outstanding debts, and the threat of the civil court again brings the Bhil to order. Thus things go on from year to year."[8]

Some "instances of gross oppression of Bhil Awtyas and Gavandyas by Guzar and others" are mentioned in the Report of the Deccan Riots Commission, Appendix B. They are described here in brief.[9]

(1) A Bhil, Hoga Gaytya, served Eerjee Patel Guzar, Patel of Murwad, Taluka Talode, for 14 years and received Rs 10 only and his food. According to the Gujar, the Bhil worked for him for 13 years and was given Rs 30 when he first came and nothing but food and clothes afterwards. The Gujar held a bond executed in 1868 for Rs 175, and obtained a decree for it. He explained to the Assistant Collector that his agreement with the Bhil was for food only and so he had charged against him every year the cost of his clothes, and that these charges, with the original advance and interest at 24 per cent, mounted up in 1868 to the amount entered in the bond. The Gujar was told by the Assistant Collector that slavery was not allowed by the British government and that 13 years' good work was a sufficient return for an advance of Rs 30. He agreed and gave the Bhil an acquittance.

(2) Nuthoo Kesho Guzar, Patel of Sinda, Taluka Nandurbar, bought a Bhil Nanda Lakrow from his former master four years before for Rs 42. The Bhil served for two years only and refused to work longer. The Gujar had his acceptance for Rs 96 and obtained a decree for the amount. He admitted that many Bhils were receiving a wage of Rs 8 a month at that time. A compromise was reached and the Bhil was given an acquittance in full.

(3) Ram Guzar, Patel of Moda, Taluka Talode, admitted that the Bhil Bajya Jayta served him for 14 years and the Bhil Chablya served him for 12 years. He gave Bajya Rs 12 and Chablya Rs 40, both sums being paid when the Bhils entered the service. He had Bajya's bond for Rs 60 and Chablya's for Rs 100. According to the Gujar, the agreement was for food only, and the bond amounts included the cost of clothes and interest at compound rates. According to the Bhils, they were promised Rs 12 a year, besides food and clothes. They wanted to leave for some years but were afraid to do so due to the threats of the Patel to bring actions against them and sell up their households. With the help of the Assistant Collector, a compromise was reached and the bonds were discharged.

(4) Nana Guzar, Patel of Moda, Taluka Talode admitted that he advanced the Bhil Rewka Garkya Rs 40 only. Garkya served the Gujar for 3 years and he recovered Rs 21 from another Gujar who cultivated the village inam land in the year in which Rewka had a share. However, even after the recovery of Rs 21 and three years' work against an advance of Rs 40, the Gujar had obtained a bond from the Bhil for Rs 40. Inquiries revealed that the Bhil had done further work for the Gujar under threats of action. Eventually the Gujar agreed to give the Bhil one map (measure) of grain and a discharge from all liability.

(5) Hari Oomed Guzar, Patel of Moda, Taluka Talode admitted that the Bhil Raju Fakeera served him for 10 years. He gave Raju Rs 50 (Raju said that he got only Rs 16) in the beginning and nothing subsequently but food and clothes. After 10 years of service, Raju refused to serve the Gujar any longer. A suit was filed and a decree for Rs 50 was obtained. Raju had to return to the Gujar.

(6) The same Gujar engaged another Bhil Dewlya Dussya after executing a bond. The Bhil served for one year and received Rs 10 only and food. He left after one year. The Gujar filed a suit and obtained a decree against him for Rs 15.

(7) A Bhil Boodya Kagra, who was 30 years old at the time of enquiry, said that he had served Ramdas Patel of Nizar in Taluka Nandurbar for all his life and his father had served the Gujar before him. The Gujar spent Rs 40 on his (Boodya's) marriage and thereafter gave him nothing but food and clothes. He worked first as cattle-herd and later as Awtya. Some five years before the Gujar agreed to take him as a Gavandya and advanced him Rs 80 to buy a pair of bullocks and made him sign a bond for Rs 200 with a lien on bullocks and on the whole of the Bhil's share of produce in partnership until the amount was paid. After two years, he was sold to Nana Nandram, another Gujar of the same village for Rs 200. The Gujar who sold him again bought him the next year for the same amount. He held a bond for Rs 172 with interest at 24 per cent and a lien on cattle and share produce. When Boodya refused to remain a Gavandya, the Gujar seized his bullocks and grain and threatened action and imprisonment. With the Assistant Collector's intervention, and after admitting that the Bhil had been a very good and profitable servant, the Gujar restored his bond and freedom.

The rationale in all these cases has been summed up very ably by Major Probyn as follows:

"A Bhil in the first instance receives from Rs 20 to Rs 50 advance from a Guzar for the purpose of getting married, he then engages to serve the Guzar at so much a year, generally about Rs 24, his food, and a pair of shoes, cumbly, and pugri, but the Guzar never allows a debt to be worked off. At the end of the first year, or perhaps, after two or three years, the Bhil will ask for a settlement. By the time Guzar will have made an account against him which the Bhil cannot dispute, and the Guzar will then give him a few rupees to appease him; a fresh bond will be drawn up, and the Bhil will be lucky, if by that time his debt is no more than Rs 100, though probably he may not really owe Rs 20. The fate of the Bhil is then sealed; he may work on contented or discontented, according to the treatment he receives at the hands of his master; some are treated well, though, in a pecuniary point of view, unfairly, while others, what with being cheated, abused, and bullied, live a life but little better than slavery, and when too old to work, the son takes the father's place. The debt of the Bhil saldar does not go on increasing year after year. *When the Guzar has got a bond up to two or three hundred rupees he is satisfied, his chief object being to secure the services of the man, which is done by holding out threat of imprisonment for breach of contract under Act 8 of 1859, and for debt through the civil courts.*"[10] [Emphasis original.]

Thus, though the British abolished slavery in India, it was under their very law, ironically named the Civil Procedure Code, that the Gujar made the Bhils half-slaves. This abuse of law has been commented upon from time to time. The following remark in the Gazetteer is worth noting.

"The whole machinery of the law courts is worked by the Guzar to keep his debtors in his power, and in spite of the great rise in the value of their labour, the Bhils work on, except that they are fed between seed-time and harvest and are given an occasional turban or robe, little less poor and degraded than they were in former times of trouble and disorder"[11] (that is during the last years of the Peshwa rule).

Ashburner, Collector of Khandesh, has expressed in very poignant words:

"I could give these poor people no redress. Yeshwantrao Holkar and his Pindaris could not have plundered them more effectually; but *it had all done with most careful attention to the forms of the Code of Civil Procedure* (italics added), with one trifling omission. They had had no notice that a suit had been filed against them; the decree had been passed *ex parte*. Had this formality been attended to, however, it would not have altered their position.[12]

Major Probyn, Western Bhil Agent and Pritchard, First Assistant Collector, Khandesh, have described the working of the law courts in this matter in a letter addressed to Ashburner, Collector and Magistrate of Khandesh. "We beg to append statements showing the number of suits filed by Guzars and moneylenders against Bhils in the Court of the Sub-Judge of Nandurbar during the years 1867, 1868, and 1869, and how they were disposed of. It will be seen from this statement that, of the 635 suits that came to inquiry during those years, 612 were decided in favour of plaintiffs, and only 23 in favour of Bhils, and that Bhils appeared to contest the claims brought against them in 29 cases only. In 594 suits judgment went by default against Bhils. ... We rely on these figures in support of our statement that the ordinary civil courts are not suitable tribunals for the decision of such claims. It is a significant fact that during the same three years no suits whatever were filed by Bhils against Guzars or moneylenders for breaches of contract, for shares of produce, nor for settlements of accounts, though they crowded our camps in hundreds imploring our interference in such cases."

One cannot explain why there was no rebellion against this tyranny as there was by the Santhals of Bihar in 1855 when they rebelled mainly against moneylenders and zamindars who had practised fraud similar to that of the Gujars. Even the Deccan Riots of 1875, in the districts of Poona and Ahmednagar, found no echo in Khandesh. Indeed, the ruthless exploitation of the Bhils has continued till this day. In fact in the years since Independence, the new laws of independent India have been used to dispossess the Bhils and to keep the Gujars' economic stranglehold on them. It is against this background that the Bhils and their leaders have begun to organise themselves against the perversion of law and justice.

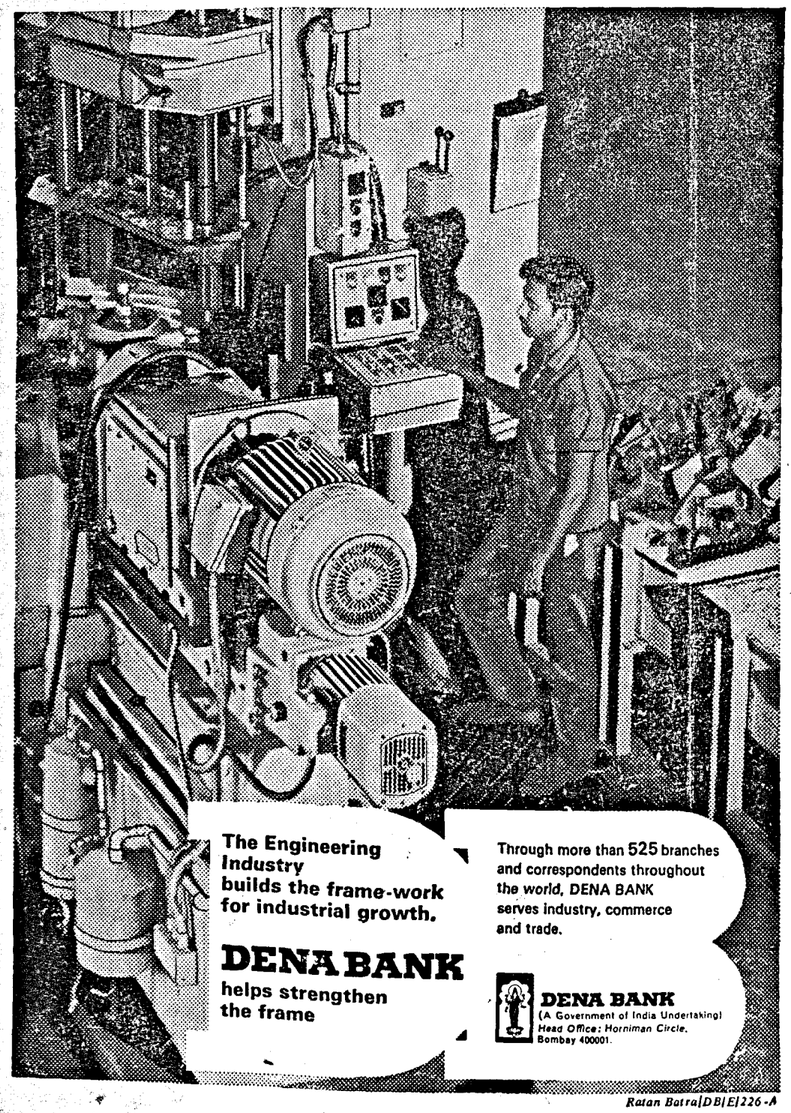
Notes

1 Of the Adivasi population in Maharashtra, about 31 per cent live in Dhulia district (as per the information in the 1971 Census).

2 See 'The Bhil Movement in Dhulia' in *Economic and Political Weekly*, Annual Number, February 1972, pp 205-207, for an early description of the movement.

3 Khandesh comprised the present Jalgaon and Dhulia districts and a small part of Nasik district, in the mid-eighteenth century.

4 Gazetteer of the Bombay Presidency, Volume 12, Khandesh, Bombay, Government of Bombay, 1880, p 40. Hereafter called the Gazetteer.
5 Report of the Deccan Riots Commission, Appendix B, p 164.
6 Pritchard writes in the footnote to the Report that he could produce hundreds of instances if necessary.
7 *Op cit*, p 198.
8 *Ibid*, pp 197-198
9 *Ibid*, pp 167-170.
10 Report of Major Probyn, Bhil Agent, Khandesh, quoted in Deccan Riots Commission Report, Appendix B, p 170.
11 *Op cit*, p 83.
12 Report of Ashburner, Collector of Khandesh, in the Deccan Riots Commission Report, Appendix B, p 101.



NORTH

End of the Wheat Bonanza?

THE overall deficit of Rs 38.39 crores in Punjab's budget for 1974-75 is Rs 1.18 crores more than last year's. However, no taxes have been proposed apart from the 50 per cent enhancement of the Market Fee — from Rs 1.50 to Rs 2.25 for every Rs 100 worth of foodgrains — two-thirds of whose total proceeds, estimated at Rs 8 crores, will be earmarked for rural roads and bridges. The Finance Minister proposes to realise Rs 5 crores by "greater economy and austerity in contingent and unproductive expenditure", and another Rs 2 crores by "further tightening and plugging of loopholes in the tax collecting machinery". The state government also expects Rs 2 crores more from devolution of the buoyant Central taxes and duties. Together, these measures are expected to reduce the deficit by Rs 17 crores. The remainder (Rs 21.39 crores) has been left uncovered in the hope of larger Central subventions and more market borrowings and negotiated loans. Significantly, there is no reference either to the Raj Committee's recommendation for agricultural taxation or to any enhancement of power and irrigation tariffs. What is more, receipts from Land Revenue are low and are gradually decreasing. They have declined from Rs 1.72 lakhs in 1969-70 to Rs 1.35 lakhs in the current year; it is estimated that they will be even lower in 1974-75 at Rs 1.16 lakhs and will account for barely 0.2 per cent of the state's total revenue and 1 per cent of the state's receipts from taxes and duties. This has occurred side by side with the mounting prosperity of the farmers on account of the green revolution.

New Fiscal Policy

In his budget speech the Finance Minister has nevertheless expounded on the new fiscal policy: The government is alive to the fact that "wasteful and unnecessary expenditure should be avoided to minimise inflationary pressures, or at least kept under control by effecting economy" in non-essential and non-functional spheres. Stringent economy measures were ordered during the current year. A saving of five per cent will be effected in the next year — by pruning the non-plan programmes and restricting the expenditure on furniture, air-conditioners, heaters, cars, telephones, travelling, etc. Special measures have been planned for the coming months to create an adequate infrastructure for both farm and factory sectors. The 1974-75 budget will help step up the state's compound growth rate, from 5.7 per cent to 7.4 per cent per annum. Since power is the major constraint on growth, the government has earmarked nearly 50 per cent of the Rs 126-crore annual plan outlay for electricity projects.

New Breweries Hit

Meanwhile, precisely because of the current shortages of power and diesel oil, the governments of Punjab and Haryana have been thinking of drastically lowering their wheat production targets for the current year. Last season, production in the two states was 53.61 lakh tonnes and 21.60 lakh tonnes, respectively. Unless the rains oblige within the next few days, this year's output may not exceed 52 lakh tonnes and 20 lakh tonnes, respectively — against the targets of 58 lakh tonnes and 26 lakh tonnes. The state's contributions to the Central pool would be correspondingly less. The 'diesel riots', stemming from the acute shortage and inequitable distribution of this fuel, constitute a new phenomenon in Punjab. Haryana has already lost most of its barley crop, as a result of which the new breweries are hard hit; the gram and oilseed crops have also suffered serious damage. Since Punjab and Haryana are among the major contributors to the national foodgrains budget, their performance will directly affect foodgrains availability.

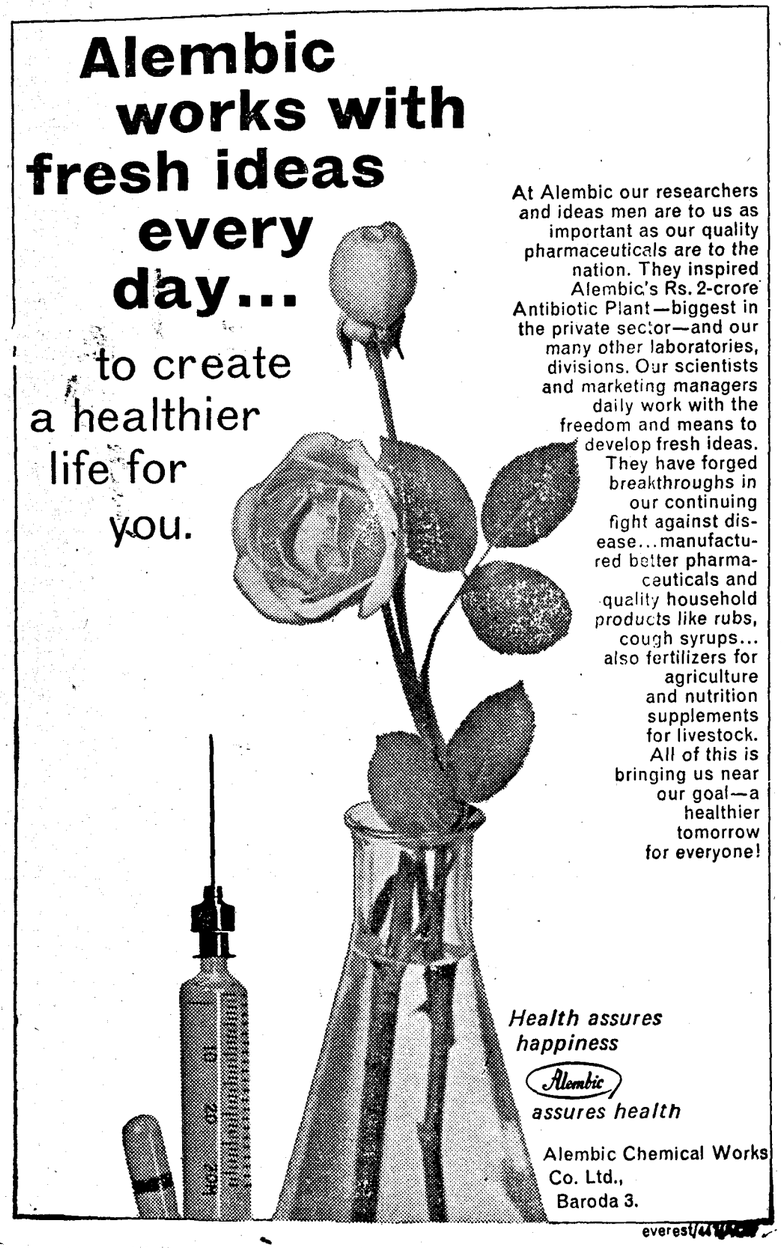
Haryana has belatedly realised that excessive reliance on neighbouring states for its power supply is unwise. Today, the state's own generation is negligible, and despite the power shortages in recent years no major scheme to generate power within its own boundaries has progressed beyond the blueprint stage. This season Haryana has suffered the worst-ever power crisis, during which factories in industrial complexes have had to come to a grinding halt. In the much-acclaimed Faridabad complex alone, the production losses run into crores of rupees. The Faridabad Manufacturers' Association has ascribed to this the laying-off of over 75,000 workers for several days in February.

The state's power consumption, already slashed from 7.3 million units to 5 million units a day, is difficult to meet on a regular basis. Sudden shutdowns and trippings are a daily occurrence. The State Electricity Board spokesmen have warned that the current power shortages will persist for some time. Though the state's industrialists are the worst affected, the farmers constitute the more powerful lobby that has been adversely affected. The agricultural sector's requirements are about 30 lakh units of power per day. If not too much noise is being made about the power shortage it is because only 20,000 tonnes of fertilisers have been made available to the farmers so far, as against their requirement of 76,000 tonnes, so that irrigation water has had to be applied to a lesser extent.

Merry Smuggling

In some wheat-growing areas of Haryana, near-drought conditions continue to prevail. The arid belt constitutes 21.77 per cent of the state's total area. In fact, the southern half of Haryana is part of the Rajasthan desert. But the prospects of achieving the wheat production and procurement targets (2.6 million tonnes and one million tonnes, respectively) appear dismal at present, though the state has exceeded its rice procurement target of 3.5 lakh tonnes. The severe and dry winter months of December and January have already badly damaged the rabi crops, and the absence of rain since then has further sharpened the anxiety of the state's farmers.

The smuggling of foodgrains across the borders goes on merrily nevertheless. Haryana has a special anti-smuggling squad (food and supplies) under the charge of a Superintendent of Police with headquarters in Chandigarh. Raids and seizures of truckloads of rice, for which there is much demand in Delhi, UP, and Himachal Pradesh, are quite frequent. Despite these seizures and the arrest of about 220 persons to date, smugglers are active and find their activities quite remunerative: prices in the adjacent states are far higher and official sources admit that foodgrains valued at over Rs 6 lakhs have been successfully smuggled out of the state in recent months and that more may yet find its way out.



REVIEW OF MANAGEMENT

March 1974

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Thriving on Shortages

PREOCCUPATION with the inflation has tended to obscure the dismal state of industry. That there was little, if any, growth in industrial production in 1973 is now known; but what has not been adequately appreciated is that this was not an aberration attributable wholly to some specific circumstance such as the power shortage, though shortage of power was acute in 1973 and did seriously affect production in a number of industries. The industrial sector has been in poor shape for many years now. As the government's latest *Economic Survey points out, the year 1966* was a sort of turning point for industry. During the period 1960-66, industrial production had expanded at an average annual rate of over 9 per cent. By contrast, in the period 1967-72 the rate was only 4.5 per cent. It will be lower still if the performance in 1973 *is taken into account.*

Many factors — shortage of power, transport bottlenecks, scarcity of critical raw materials like steel, etc — can be adduced to explain the trends in industrial production and investment. In addition, industrialists have naturally sought to make much of the deleterious consequences of government controls. Whatever the real merit of the criticisms on this score, the government at any rate appears to have taken them very seriously. As a result, in the last year or two a number of steps have been taken to liberalise industrial licensing and to speed up the operation of various controls, including licensing. Inevitably, this has involved a further fudging of industrial priorities so that a significant part of such investment and increase in industrial production as has taken place has come about in what are patently low priority industries producing goods of upper-class consumption. In its desperation to show higher industrial production, the government has even regularised illegally installed industrial capacity. The curbs, more threatened than enforced, on the expansion of the large houses have been relaxed. Foreign companies have similarly been encouraged to use the scheme for dilution of foreign equity holding to expand into industries into which there is no technical or economic justification for allowing them.

None of this has, however, had the desired impact on industrial production and investment. It was ruefully conceded by the government itself recently that the flood of letters of intent and licences handed out following the so-called streamlining of licensing procedures has yielded no corresponding upsurge in investment. The record of a number of industries such as cement, paper and fertiliser, in which there are any number of unimplemented letters of intents and licences, should have prepared the government for some such outcome and persuaded it to view with scepticism the propaganda that it was tardiness in the grant of official sanctions and permission which was holding up industrial expansion.

The experience of these same industries should explode another myth — that it is the unremunerativeness of the prices fixed under, formal or informal, price control which is preventing the flow of fresh investment into industry. A case in point is cement. Both the government and the industry are currently keeping up the pretence of anxiously waiting for the Tariff Commission's report which will clear the way for raising the controlled price of cement. In fact, however generous the increase that is allowed, the official controlled price will still be far below the price that the cement manufacturers are already getting — so large is the so-called 'unofficial premium' over the government-fixed price.

Indeed, given the superlative profits — most of it tax-free and beyond the reach of shareholders besides — which are there to be made out of shortages, is it at all suprising that manufacturers have little interest in expanding production themselves and will do everything they can to prevent new entrants from doing so? At one time it was naively believed that the answer to this sort of situation was for the public sector to enter such industries in strength. The ambitious programmes of public sector units like the Cement Corporation of India and the Hindustan Paper Corporation, at the time of their launching, bear testimony to these hopes. Equally, the subsequent evaporation of these programmes testify to the futility of the expectations. Established producers in different industries, it has been proved, are as capable of sabotaging the plans of potential public sector units as they are of keeping out other competitors. In fact, as the example of sugar — where, despite higher output, a situation of shortage has been sustained through the system of government-controlled monthly releases of stocks — shows, they can even get the government to actively co-operate with them in perpetuating and making the most of shortages.

MBO in Non-Business Organisations

B L Maheshwari

Management by Objectives in Local Government by J W Glendinning and R E H Bullock; Charles Knight and Company, London, 1973; pp 255.

MANAGEMENT by Objectives has emerged as one of the popular themes and there is a growing literature on the subject. However, until recently, most books on this subject were of "do it yourself" type. John Humble's "Management by Objectives in Action" (1971) represented a departure because it described the practice in several organisations. Then came "Management by Objectives : Applications and Research" (1973), by Carrol and Tosi, which represents the first serious attempt at research in the practice of Management by Objectives. The book under review would qualify for membership in the group of the second generation books on Management by Objectives because it contains a record of practice in an area which, for MBO application, still remains a new frontier. It reports on MBO application in Local Government in Britain. In a way, it opens a new area and attempts to reinforce the universal applicability of the concepts and methods of Management by Objectives.

Since MBO developed essentially in the context of business situations, it is necessary to adapt it to the particular circumstances and needs of public administration at different levels. In his foreword, John Humble has highlighted the differences between business and government systems as far as application of MBO is concerned:

> "Of course, the uncritical importation of business methods into Local Government may hinder more than it helps. The *raison d'etre* of a Local Authority is service not commercial profit, and the ultimate power for decisions lies properly in the value judgments of the electorate. Quantification and measurement of results is important, but enormously more difficult than in the commercial sector" (p vii).

Humble, however, goes to state that in spite of these differences, Management by Objectives can be used as an approach to management of organisations in both profit and non-profit sectors.

This book is divided into four parts. Part I provides the background, both to the general concept of MBO and its application in Local Government in Britain. The second aspect is very useful but unfortunately very short (only 7 pages). Here we are told that the stimulus for MBO in Local Government was provided by the Local Government Training Board. The Greater London Council was the first one to start a pilot exercise in 1969. Eight departments were covered. Soon after, the Somerset and Sheffield County Councils and the London Borough of Hillingdon followed. Thus, during the last five years, local government organisations have accumulated considerable experience with the practice of MBO.

Part II entitled "Commentary on the Project" describes the essential process of implementation but adds very little to existing knowledge. It emphasises the well known elements of the process and does not bring out the differences of emphasis in the implementation in different units. In a short chapter on "Results of the Project" (4 pages) the authors point out that the general reaction to MBO was that it helped in the development of result-oriented attitudes, increased delegation, disciplined review of performance and improvement opportunities, improved communication and interpersonal co-operation, and development of managers. These are some of the usual results expected from MBO practice and the authors have rightly indicated that the benefits would be much greater when MBO application covers the entire system.

Part III, the shortest part of the book (13 pages), highlights the implications of the MBO experience in Local Government and provides guidelines for action. In terms of research significance, this should have been longer and more analytical.

Part IV containing three case histories is the longest part of the book and accounts for three-fourths of the volume. It is useful but unnecessarily repetitive. The case histories dealing with MBO applications in (1) the office of the County Architect, in West Riding, (2) the Department of the Town Clerk in Manchester and (3) the Department of Education in Somerset, describe the process of MBO implementation. These case histories have too much detail of the process and could have been drastically reduced. Moreover, in all the three cases the appendices are much longer than the case drafts. Whereas, the three drafts take only 51 pages, the appendices go into 118 pages. Some of these appendices are interesting but most of them add very little. For example, appendix 1 to case history 2 contains notes on MBO and appendix 2 to case history 1 gives a detailed syllabus for the advisors' training. It seems that each case has been written independently on the basis of a common format but the editing effort has been weak.

It is interesting that on the basis of the description of MBO application in Local Government, the authors have found it necessary to emphasise some of the important points which have earlier been highlighted in the MBO experience in other organisations. They rightly put stress on the quality of MBO advisors, the importance of preparatory work and the commitment of the top management. The authors have stated that "The key to success of MBO is the commitment of the managers themselves and not the activity which the department carries out" (p 55). They have also pointed out that the MBO approach could be used for establishment of community needs in case of the local government organisations.

The book thus contains details about the process of implementation but does not provide much analysis. There are very few evaluative statements and one does not find an indication of what happened in terms of responses of the system. Although the book does not make much contribution to the knowledge on MBO, its real value lies in the fact that it contains a record of the practice of MBO in important and difficult units of public administration. One would expect that this should help in establishing the potential of MBO for application to government. It should have the demonstration effect of persuading the managers of non-profit, non-business organisations that the basic concepts and methods of MBO have great deal of relevance for them.

As there was no issue on February 23 on account of the Annual Number, the February Review of Management is published this week.

Environmental Scanning for Corporate Planning

Charan D Wadhva

Analysis of the external environment is cruci al to the process of strategic planning of a large and diversified enterprise in this country where government policy is a dominant force in shaping the future of such enterprises.

The task of environment analysis for corporate planning becomes difficult because of the frequent changes in government policies. Yet it is necessary to formulate an operational framework for environmental analysis for a systematised attempt at strategic planning.

We have presented in this paper a list of selected economic and regulatory conditions which have been empirically found to have a significant impact on the business operations of a large and diversified industrial enterprise.

THE importance of environmental scanning for corporate planning is well recognised by now.[1] The existing and potential opportunities, threats and constraints for the operation of the corporation are likely to be shaped by the external conditions with which it has to live. However, the subject acquires special significance in the context of a developing country like India where the government is constantly trying to influence the level of economic activity in the country to simultaneously achieve the objectives of economic development and social justice in a planned manner. The purpose of this paper is to analyse some of the relevant external conditions for environmental analysis in the context of strategic planning of a large-sized corporation in India and to present an operational framework for such analysis with reference to investment decision-making for diversification of the activities of the corporation during the period of next five years coinciding with the country's Fifth Five-Year Plan (1974-75 to 1978-79).

I

The Corporation and Environmental Analysis

Theodore Rubin has characterised the environment, present or future, as a "set of outcomes, situations or social conditions which is the policy consequence of the interaction of technology and social institutions". According to him, the purpose of environmental analysis is "to establish the linkages among these outcomes and the institutions, policies and technologies which shape them".[2]

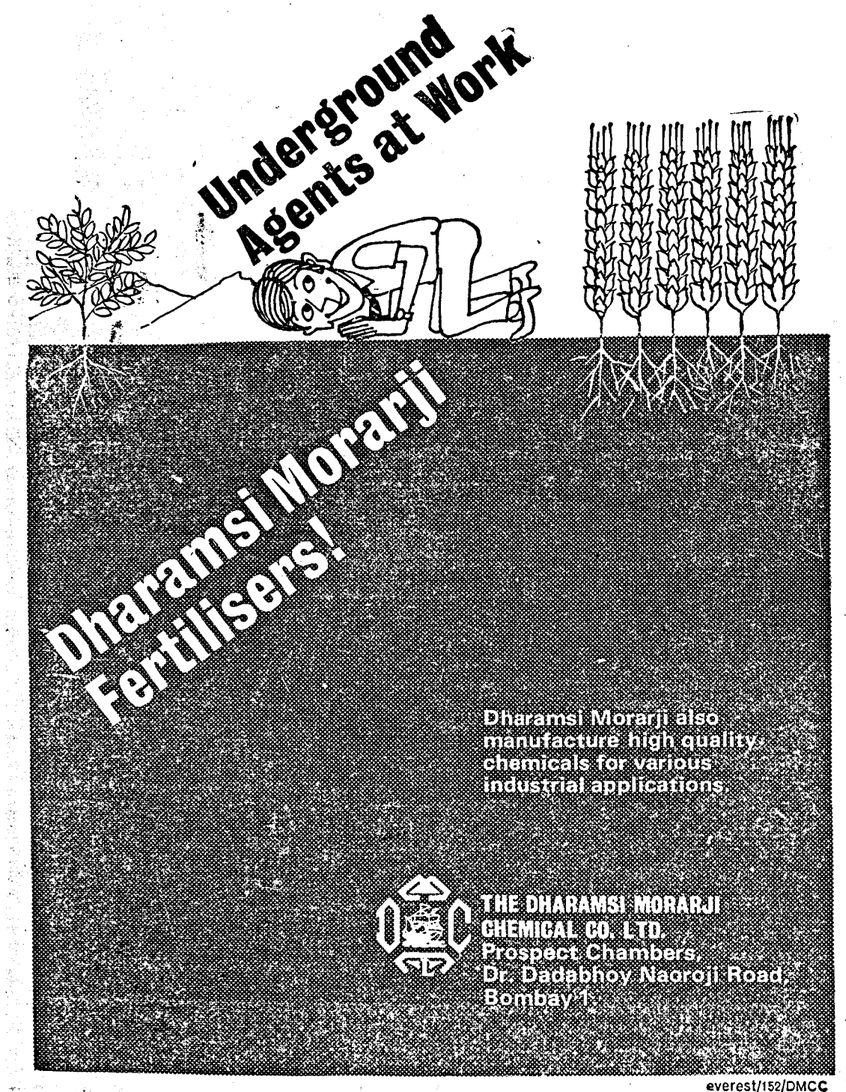
The task of external environmental analysis can be enormous in view of the multi-dimensions of the environment variables to be analysed. In its broadest form, as S K Bhattacharyya has pointed out, "it involves the scanning of the entire spectrum of the social, political, technological and economic forces likely to have a bearing on the future performance of the organisation, the industry to which it belongs, the business generally, with a view to determining what the organisation can reasonably seek to achieve during the strategic plan period".[3]

Strategic planning is concerned with determining the fundamental objectives of the corporation and the activities which it must undertake to achieve these objectives in an integrated and harmonious pattern. A comprehensive analysis of external conditions would serve as an essential input to the top management for charting the future of the corporation. Environmental analysis would include not only study of past behaviour of the variables constituting "environment" and current trends in their behaviour, but also forecasting the changes in these variables in the future within the horizon of strategic planning. The latter task, though vital in the planning process, is certainly a very difficult one in view of the uncertainties attached to the behaviour of the variables of the environment set under dynamic conditions in a world of interdependence among the actors across firms, across industry, across sectors of business within a nation and across nations. This requires the continuous review of environmental analysis in a systematic fashion as an aid to long-term corporate planning.

The Relevant Environment

It is here that the concept of the *relevant* "environment" for the user becomes very useful. Each user (actor) of environmental analysis is interested in his own "environment" (rather than with the totality of the environment) which he can affect through "adaptation or control". This concept agrees very well with the notion of a firm as a "system", composed of a number of parts, whose activities is seeks to integrate for the achievement of its objective.[4] As Rubin has pointed out, "The totality of the environmental system has relevance to no single actor". As a corollary, the relevant environment for any particular actor is equivalent to only a small part of the environmental system. As a result of this narrowing down of the concept of 'environment' the environmental analyst is in a much happier position. According to Rubin, this is so because this fact reduces "the potential of error by omission in environmental analysis". However, Rubin rightly adds that the same fact also "places a responsibility on the actor to 'know himself' so that he may know what environmental information is relevant to his social purpose".[5]

The fact that each user of environmental analysis is interested in his "own" relevant environment does not preclude the existence of a common sub-set of his environment with the environment of other actors in a similar position who are his competitors even though none of them is interested in the global concept of environment which can cover anything and everything in the world. It is this sub-set of environment which is common to large sized corporations in India that we are interested in. We will specifically be interested in the common part of the environment for those large companies who wish to diversify their output (a strategic decision involving investment planning). We will thus be mainly concerned with the analysis of one aspect (though a very important aspect) of strategic planning of a corporation based on environmental analysis.



II

Scanning for Corporate Planning

In the Indian context, governmental policy has a dominant role in the relevant environment for corporate planning for large enterprises. We may now conceive of the corporation as a part of the larger economic system where the Central government is responsible for controlling the operations of the large corporations with the twin objectives of promoting growth in priority areas and reducing the degree of concentration of economic power. These objectives are often conflicting.[6]

The complexities of the relevant variables for environmental analysis for corporate planning are probably much more in an economy like India operating under a regime of administrative controls extending to many areas of corporate decision-making in the industrial sector of the economy. An approach to the information system for analysing external conditions has been proposed by Philip Thomas.[7] However, his approach is merely classification-oriented in the sense that he lists in a table in matrix form the environmental information system classified at one side by content level (such as political conditions, social conditions, etc) and at the other side by resolution level (such as global level, national level) and lists some of the factors falling under each box. It is not our purpose here either to prepare a comprehensive list of external factors afflicting the business operations of the corporation at the international level, at the national level, at the sectoral level, at the industry level and finally at the firm level (or in combination at various levels simultaneously) or to critically examine the attempts made by other researchers at preparing such a list. Undoubtedly, it is necessary to know the various factors constituting technological conditions, social conditions, demographic conditions, political conditions, national economic conditions, competitive conditions, international economic conditions and governmental regulatory conditions within the country (countries) in which the particular firm is operating and to understand the resolution level at which each of the relevant factors qualitatively influences the firm in question. But much more important is some quantification (however crude it may be in view of the state of our knowledge in model building in these areas) of the degree of influence of each of the relevant external environmental conditions on the business operations of the firm in the past and currently and to attempt to forecast the influence of these and "other new" relevant variables on the business operations of the firm in the future during the period of the strategic plan. The difficulties of forecasting changes in external conditions and estimating their impact on the firm are multiplied manifold in a country like India where the impact of governmental regulatory conditions is pervasive on the business operations of a large enterprise and where changes in such regulations are a very frequent affair. As Philip Thomas has rightly pointed out, "The thicket of regulatory conditions is particularly dense in India and constitutes probably the single most important obstacle to forecasting for the purpose of corporate planning in the country".[8]

In the context of a recent study of environmental conditions for strategic planning of a large industrial enterprise in India (producing a number of industrial products) with a planning horizon of five years, we analysed the input-output structure of the products and product lines, the end-users of the products and the nature of competition faced by this enterprise. On the basis of such an empirical study of the economic structure of the enterprise and a look at the external conditions affecting the business operations of this enterprise in the last ten years, and more so during the last two years, we found that economic and regulatory conditions constituted the two most important groups of external factors mainly operating at the industry-level which affected the operations of this enterprise.

Through this empirical study based on time-series analysis, we were able to identify the following selected macro-economic indicators of environmental conditions which had significant effect on the business operations of this enterprise :

(1) Government expenditure in the economy;
(2) Level of industrial production in the economy and degree of capacity utilisation in the "industry" (to which this enterprise belonged to);
(3) Availability of steel;
(4) Availability of power; and
(5) Foreign exchange situation (in the country).

On the basis of the above-mentioned study, we identified the following selected micro-economic indicators to be the major external influences on the business operations of the enterprise:

(1) Growth and profitability of end-user industries;
(2) Changes in the (technical) characteristics of the products required by the end users;
(3) Behaviour of government as a buyer;
(4) Nature of competition offered by the public sector units as supplier of competing products; and
(5) Nature of competition offered by the competitors in the private sector with special reference to quality, price and efforts at development of new products through research and development.

We also looked at the major governmental regulatory conditions affecting the business operations of the large enterprise for which we undertook environmental analysis. We found that the following regulatory conditions were exerting significant influence on the operations of this enterprise :

(1) Industrial licensing policy;
(2) Monopolies and Restrictive Trade Practices (MRTP) Act;
(3) Allocation of foreign exchange (for import of capital goods and strategic raw materials and components normally not available indigenously);
(4) Policy on export obligations and import substitution (including incentives and/or obligations for expenditures on research and development); and
(5) Policy on technical collaborations with foreign companies.

III

Operational Framework for Planning Diversification of Output

We now propose to go to the specific case of addition to the existing lines of manufacture by a large enterprise and construct an operational framework for analysing the possibilities and choices for planning the diversification of output of a large industrial corporation coming within the purview of the MRTP Act during the planning horizon of the period of our Fifth Plan (1974-75 to 1978-79). For this purpose we have made the simplifying assumption that the corporation makes the strategic decision of adding a new product to its product lines on the basis of three criteria, namely,

(1) What is the potential growth rate of demand for the product?
(2) What is the potential profitability of the product?

(3) What is the likely degree of governmental control in decision-making for managing the production, pricing and marketing of the product?

The next problem in making this analysis operational is to decide as to how to measure the potential growth rate of demand, profitability and intensity of governmental control for a product (called an "industry") and to rank industries in order of their performance with respect to each of the above-mentioned three criteria. Thus a market segmentation approach can be used as a systematised aid to strategic planning by a corporation.

Even though several sophisticated methods of demand projections are now in use by researchers of corporations for short-term forecasting (say for one to two years), they are not likely to be very reliable for longer periods. It is here that we can make use of the information provided in a document like the Five-Year Plan. The target rates of growth of output of industries set by the macro-planning authorities reflect the minimum rate of growth of demand for output of those industries expected during the horizon of the plan. Schollhammer has summarised the benefits of effectively using the general information which the national plan offers to a firm's specific situation in the following words:

> "A national plan is a kind of large-scale market survey which provides business executives with consistent information about future developments and anticipated governmental actions. It conveys not only what is probable but also what is desirable; it shows what the objectives are and specifies the means by which the public authorities intend to attain them. Consequently, business executives can make strategic decisions under reduced uncertainties, which result in less wastage, a higher economic efficiency, and increased freedom in the form of wider opportunities for growth of the individual firm in an expanding and co-ordinated economy."[9]

The effective use of the general information on the sectoral growth envisaged of the national income as well as the specific information on the target rates of growth of selected industries in the document of the Five-Year Plan requires the skills of a competent analyst. In view of the fact that the achieved rates of growth of output do differ from the target rates of growth of output of various industries, a continuous review of the likely rate of growth of output will have to be made by the analyst and supplemented with his knowledge of all other available information in the framework of an input-output model of the economy.

The profitability of an "industry" can be measured by several alternative criteria. For measuring the potential profitability of a product, we have chosen the criterion of the average rate of return on the net worth [measured as the rate of profit-after-tax (PAT) to net worth (NW) expressed in percentage terms]. We have chosen this criterion over other criteria (such as the ratio of gross profits to total capital employed) since we believe that this criterion reflects the rate of return on shareholders' funds. Information about the behaviour of this ratio during the recent past is usually available from the sample surveys of the performance of the public limited companies. In India, the Reserve Bank of India publishes every year the estimates of alternative profitability ratios of 1501 selected public limited companies operating in various industries. Another source for such empirical studies is the report of the *Economic Times* Research Bureau on the performance of 714 public limited companies covering various industries. Even though the sample surveys by these two sources cover different companies and different industries, their coverage in terms of the total paid up capital of all the public limited companies is nearly the same (around 80 per cent).

For illustrating the analysis of market segmentation of industries on the basis of the potential profitability criterion as chosen by us, we have made the highly simplifying assumption that the average rate of profitability of the industries to be analysed obtained during the last two years for which the data are available at present will be maintained during the period of the strategic plan of the next five years. A more realistic analysis of such a study would require continuous updating of information supplemented by the experience of other firms in similar position.

It should be theoretically possible to evolve a formula for measuring the degree (or intensity) of governmental control on the production, pricing and marketing, assigning weightages to the various elements constituting the controls in these functional areas. There can be differences of opinion on the empirical measurement of this concept due to arbitrariness of the weights involved. We have chosen only one element of control, namely, whether there is price control on the final product, to illustrate the segmentation analysis of industries on the basis of the criterion of degree of control and neglected all other elements for the sake of simplifying our model.

We have to define the relevant set of industries for which the market segmentation analysis needs to be carried out for the consideration of the top management of a large enterprise for making investment in a new product. Such a decision is subject to the regulations of the industrial licensing policy of the Government of India. The search for the relevant set of industries for the consideration of large enterprises must, therefore, be made in the context of the role envisaged for such enterprises in the current industrial licensing policy announced by the government in February 1973 which reflects the national priorities for investment in industries to achieve the objectives of economic development, social justice and self-reliance envisaged in the Fifth Plan (1974-75 to 1978-79).

A controversy had been raging in government quarters regarding the role of the joint sector for quite some time. The concept has been clarified to some extent in the industrial licensing policy statement of the Government of India. We quote below the relevant segments of this statement relating to the joint sector: [11]

> "Government's policy regarding the joint sector is derived from the industrial policy resolution, 1956 and the objective of reducing the concentration of economic power. In appropriate cases, the central and state governments have taken equity participation either directly or through their corporations with private parties. Some joint sector units have come up in this way. This type of joint sector unit is a device which may be resorted to in specific cases having regard to the production targets of the Plan. Each proposal for establishing a joint sector unit of this nature will have to be judged and decided on its merits in the light of government's social and economic objectives. The joint sector will also be a promotional instrument, as for instance, in cases where state governments go into partnership with new and medium entrepreneurs in order to guide them in developing a priority industry."
>
> "Government specifically wish to clarify that the joint sector will not be permitted to be used for the entry of larger houses, dominant undertakings and foreign companies in industries in which they are otherwise precluded on their own. In all the different kinds of joint sector units, the government will ensure for itself an effective role in guiding policies, management and operations, the actual pattern and mode being decided as appropriate in each case."

For the purpose of illustrating the licensing policy of the government regarding new industries to be set up during the period of the Fifth Plan of relevance to large corporations, we may consider the total set of new industries to be set up during this period. Leaving apart the problem of decision-making on dominantly export-oriented industries where the large enterprises can enter any industry open to the private sector including those reserved for small-scale units, our market segmentation study would be concerned with the list of 19 categories of industries given in Appendix II which have specifically been mentioned in the new industrial licensing policy announced in February 1973 as the ones where the government would entertain and welcome applications from large industrial enterprises in consonance with the objectives of national economic policy set in the Fifth Plan. We have grouped these 19 categories of industries into 11 major industries as shown in Table 1 along with the market segmentation analysis of these industries using the three criteria of potential growth rate of output, profitability and degree of price control on output as mentioned earlier.

For the purpose of the segmentation of industries on the basis of the growth rate criterion, we have used the information on the target rates of growth as published in the official paper on the Approach to the Fifth Five-Year Plan published by the Planning Commission. We have arbitrarily used a cut-off rate of growth of 10 per cent per annum for dividing the industries into high growth (HG) and low growth (LG) industries.

While using the profitability criterion, we have segmented the industries into high profit (HP) and low profit (LP) segments on the basis of a cut-off rate of 10 per cent since this rate represented the average rate of return on net worth of all the industries during the last two years for which data are available.

Finally, we have labelled those industries in which governmental price control on the selling price of the final output is imposed as highly-controlled (HC) segment and those on which there is no such price control as less-controlled (LC) segment of industries.

The market segmentation analysis of the kind that we have presented in Table 1 above would serve as an aid to decision-making by the top management for considering the addition of a new product to the product line of the large enterprise. We have assumed that it would be rational for the top management to normally prefer the high growth-high profit-less controlled (HG-HP-LC) segment of industries for entering into a new industry unless there are other considerations in the objectives of the enterprise (than those reflected in the three criteria which we have chosen here for illustration). Table 2 presents the information contained in Table 1 in a more convenient form for review by the top management of a large enterprise for the purpose under consideration.

TABLE 1: SEGMENTATION ANALYSIS OF INDUSTRIES NORMALLY OPEN FOR ENTRY BY LARGE ENTERPRISES FOR THE FIFTH PLAN PERIOD

Industry	Annual Growth Rate of Output (Per Cent)	Profit after Tax / Net Worth (Per Cent)	Segment
(1) Special steel	10.0	5.6	HG-LP-HC
(2) Non-ferrous metal and their alloys	14.0	14.7	HG-HP-HC
(3) Industrial plants and machinery	16.0	8.0	HG-LP-LC
(4) Electrical equipment and electronic equipment	12.0	11.0	HG-HP-LC
(5) Small ships	10.0	11.7	HG-HP-LC
(6) Commercial vehicles	7.0	7.9	LG-LP-HC
(7) Agricultural machinery (tractors, power tillers, etc)	9.0	7.3	LG-LP-HC
(8) Chemicals (inorganic, organic, others)	12.0	12.8	HG-HP-LC
(9) Drugs and pharmaceuticals	5.3	17.4	LG-HP-HC
(10) Paper and paper products	9.9	14.0	HG-HP-HC
(11) Cement	8.3	11.7	LG-HP-HC

Note: The estimates of growth rate of output of the above industries are based on the target rates for the broad industry groups formulated by the Planning Commission as published in the official paper on Approach to the Fifth Five-Year Plan. The estimates of profitability are the average derived as averages of the rates prevailing in 1969-70 and 1970-71 for these industries by splicing information provided in the *Reserve Bank of India Bulletin*, September 1972 and in the *Economic Times*, November 30, 1972.

IV

Inter-Relationship between Macro Planning and Action at Micro Level

The inter-relationship between macro-economic planning and micro decision-making needs to be stressed. As Chamberlain and others have pointed out, the firm has social utility which the government can regulate in the pursuit of social objectives.[12] But the relationship between the firm and the government is not one-sided. The firm's actions in a mixed economy ultimately determine whether the social objectives (including the objective of rapid economic growth) set by the government are likely to be achieved or not and to what degree. To quote Chamberlain again, this is so because to "some extent government can specify the firm's activities by legislation and regulation. But to a larger extent it can only secure the behaviour it wants by appropriate inducements, usually of a fiscal or credit nature. The firm retains areas of independence of action which the government cannot invade without jeopardising the social values flowing from the existence of numerous points where change can be initiated".[13] We may add here that instituting changes in social system are awfully slow in a political system governed by democracy as prevails in India.

Samuel Paul has pointed out that the interface between macro planning and micro level decision-making has remained a "neglected area" in India. This he calls the failure of 'micro planning' and distinguishes it from the problems of aggregative planning which is concerned with basic national goals and broad strategy in micro terms.[14] The failure on the front of this 'micro planning' can be held responsible, among other things, for the relative poor performance of the Indian economy in terms of the attainment of the objective of rapid economic growth,



TABLE 2: INDUSTRIES OPEN TO LARGE ENTERPRISES CLASSIFIED BY SEGMENTATION ANALYSIS FOR THE PERIOD OF FIFTH PLAN

I *High Growth-High Profit-Less Controlled (HG-HP-LC) Industries* (i) Electrical equipment and electronic equipment (ii) Chemicals (iii) Small ships	II *High Growth-High Profit-Highly Controlled (HG-HP-HC) Industries* (i) Non-ferrous metals and their alloys (ii) Paper and paper products
III *High Growth-Less Profit-Less (HG-LP-LC) Industries* Industrial plant and machinery	IV *High Growth-Less Profit-Highly Controlled (HG-LP-HC) Industries* (i) Special steel
V *Low Growth-High Profit-Less Controlled (LG-HP-LC) Industries*	VI *Low Growth-High Profit-Highly Controlled (LG-HP-HC) Industries* (i) Cement (ii) Drugs and pharmaceuticals
VII *Low Growth-Low Profit-Less Controlled (LG-LP-LC) Industries*	VIII Low Growth-Low Profit-Highly Controlled (LG-LP-HC) Industries (i) Commercial vehicles (ii) Agricultural machinery

V

Conclusion

We conclude that the analysis of the external environment is crucial to the process of strategic planning of a large and diversified industrial enterprise in India where the governmental policy is acting as a dominant force in shaping the future of such enterprises with the twin objectives of accelerating the rate of economic growth and reducing the degree of concentration of economic power in the economy. There are cases where there is a clash between these two objectives which leads to contradictions in governmental policy. The task of environmental analysis for corporate planning with a horizon of the next five years (or so) becomes quite difficult in view of the frequent changes in governmental policies and regulatory conditions. Yet it is necessary to formulate an operational framework for environmental analysis for a systematised attempt at strategic planning. We have presented in this paper a list of selected economic and regulatory conditions which have been empirically found to have a significant impact on the business operations of a large and diversified industrial enterprise in India. We have also proposed and illustrated the use of an operational framework for environmental analysis for providing an input to the top management of a large enterprise for decision-making with reference to proposals for adding a new product to its existing product line(s). We have pointed out that the importance of continuously updating relevant information on external conditions supplemented by practical experience of other companies in similar position cannot be exaggerated for making the exercise more realistic. Finally, we conclude that the significance of the inter-relationship between macro-planning and micro decision-making should be sufficiently realised by the policy makers in the country to avoid the failures on account of 'micro planning' for the achievement of objectives of national economic policy.

Appendix I

SCHEDULE A (AS DEFINED UNDER INDUSTRIAL POLICY RESOLUTION, 1956)

(1) Arms and ammunition and allied items of defence equipment.
(2) Atomic energy.
(3) Iron and steel.
(4) Heavy castings and forgings of iron and steel.
(5) Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central government.
(6) Heavy electrical plant including large hydraulic and steam turbines.
(7) Coal and lignite.
(8) Mineral oils.
(9) Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.
(10) Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.
(11) Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
(12) Aircraft.
(13) Air transport.
(14) Railway transport.
(15) Shipbuilding.
(16) Telephone and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).
(17) Generating and distribution of electricity.

Appendix II

'CORE' AND 'HEAVY' INDUSTRIES OPEN TO 'LARGE INDUSTRIAL HOUSES' (as under MRTP Act 1969)

[Note: The classification of industries follows the first schedule to the Industries (Development and Registration) Act, 1951. Items of manufacture reserved for the public sector under schedule A to the industrial policy resolution, 1956 or for production in the small-scale sector as may be notified from time to time will be excluded from the application of the list.]

(1) Metallurgical industries: ferro alloys; steel castings and forgings; special steels and non-ferrous metals and their alloys.
(2) Boilers and steam generating plants:
(3) Prime movers (other than electrical generators): industrial turbines and internal combustion engines.
(4) Electrical equipment: equipment for transmission and distribution of electricity; electrical motors; electrical furnaces, X-Ray equipment, and electronic components and equipment.
(5) Transportation: mechanised sailing vessels up to 1000 Dwt; ship ancillaries; commercial vehicles.
(6) Industrial machinery.
(7) Machine tools.
(8) Agricultural machinery: tractors and power tillers.
(9) Earthmoving machinery.
(10) Industrial instruments: indicating, recording and regulating devices for pressure, temperature, rate of flow, weights, levels and the like.
(11) Scientific instruments.
(12) Nitrogenous and phosphatic fertilisers falling under inorganic fertilisers.
(13) Chemicals (other than fertilisers): inorganic heavy chemicals; organic heavy chemicals; fine chemicals, including photographic chemicals; synthetic resins and plastics; synthetic rubbers; man-made fibres; industrial explosives; insecticides, fungicides, weedicides and the like synthetic detergents and miscellaneous chemicals (for industrial use only).
(14) Drugs and pharmaceuticals.
(15) Paper and pulp including paper products.
(16) Automobile tyres and tubes.
(17) Plate glass.
(18) Ceramics: refractories, furnaces lining bricks — acidic, basic and neutral.
(19) Cement products: portland cement, asbestos cement.

Appendix III

CORE INDUSTRIES

The list of "core" industries issued by the Government of India includes the following industries.

(1) Agricultural inputs:
  (a) Fertilisers
    (i) Nitrogenous
    (ii) Phosphatic
  (b) Pesticides (basic chemicals only)
  (c) Tractors and power tillers
  (d) Rock-Phosphate and pyrites
(2) Iron and Steel:
  (a) Iron ore
  (b) Pig iron and steel
  (c) Alloy and special steels
(3) Non-ferrous metals

(4) Petroleum
  (a) Oil exploration and production
  (b) Petroleum refining
  (c) Selected petro-chemicals
    (i) Integrated petro-chemicals complexes
    (ii) DMT
    (iii) Caprolactum
    (iv) Acrylonitrile
    (v) Synthetic rubber
(5) Cooking Coal
(6) Heavy industrial machinery (to be specified)
(7) Ship-building and dredgers
(8) Newsprint
(9) Electronics (selected components, testing and control equipment, wireless and micro-wave equipment)

Notes

[This paper is based on my experience of undertaking studies of environmental analysis for a large corporation and a commercial bank. I have greatly benefited from the work of Samuel Paul and S K Bhattacharyya in these studies. Ravi Matthai also gave some useful suggestions for improving the contents of the paper.]

1 See, for example, F J Aguilar, "Scanning the Business Environment", New York: The Macmillan Company, 1967.

2 Theodore J Rubin, "Toward Information Systems for Environmental Forecasting" in Erich Jantsch (edited), "Perspectives of Planning", Paris: Organisation for Economic Co-operation and Development, 1969, p 287.

3 S K Bhattacharyya, "Strategic Planning: Some Operational Considerations", *Economic and Political Weekly* (Bombay), Vol VII, No 22, Review of Management, May 27, 1972, p M-68.

4 Cf, Neil W Chamberlain, "Enterprise and Environment", New York: McGraw-Hill, 1968.

5 Rubin, *op cit*, p 291.

6 For the purpose of this paper, a large enterprise is defined as under the Monopolies and Restrictive Trade Practices Act, 1969, having total assets (including assets of inter-connected companies) of Rs 20 crores or more.

7 Philip Thomas, "External Conditions in Corporate Planning", *Economic and Political Weekly*, Review of Management, August 1972, and in "Environmental Analysis for DFC Planning" (unpublished as yet). He has cited a paper by Nancy Baster on "Development Indicators" from the *Journal of Development Studies*, Vol 8, No 3, April 1972 in which she has given a list of "development indicators" in the context of measuring and comparing development of a nation which has been found useful for the purpose in hand.

8 Philip Thomas, "External Conditions in Corporate Planning", *op cit*, p M-102.

9 Hans Schollhammer, "National Economic Planning and Business Decision-Making: The French Experience", *California Management Review*, Vol XII, No 2, Winter 1969, pp 74-78.

10 For a critical analysis of the joint sector concept and the new industrial licensing policy of February 1970 of the Government of India (before the announcement of February 1973), see my paper, "New Industrial Licensing Policy: An Appraisal" in C D Wadhva (ed), "Some Problems of India's Economic Policy", New Delhi: Tata McGraw-Hill, 1973, pp 199-215.

11 The text of the press release on the subject may be seen in the *Economic Times* (Bombay), February 3, 1973.

12 Chamberlain, *op cit*, p 208
13 Chamberlain, *op cit*, pp 207-8.
14 Samuel Paul, "Micro Planning: The Neglected Interface", *Economic and Political Weekly* (Bombay), Vol VI, No 9, Review of Management, February 27, 1971, p M-5.

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M-10

Cash Working Capital vs Balance Sheet Working Capital

An Analysis Based on Four Cases

S K Chakraborty

The conventional definition of working capital adopts a balance sheet view of resources for sustaining the current operations of the firm. However, the balance sheet is a static position statement of the firm on a certain date. It fails to indicate the dynamic flow of values occurring in the firm throughout a period.

The real dynamics of the pressures on cash flows are contained in the firm's income or profit and loss statement. This statement contains all the operational inflows and outflows of values—cash or credit —during a period.

The operating cycle concept of working capital discussed here is basically a profit and loss account-based tool.

I

Working Capital in Common Parlance

THE conventional definition of working capital in terms of offsetting the current claims against the firm against the current claims of the firm seems somewhat confusing. The surplus left after such offsetting is in fact equivalent to a portion of the long-term claims against the firm. One has only to visualise the Balance Sheet layout to appreciate this point. Working Capital so defined is thus really a part of long-term finance used to support current activities. This is the working capital margin money which is treated as fixed investment for project appraisals. The following simple illustration will make the point clear:

	Period 1 (Rs)	Period 2 (Rs)
Sales	1,000	1,500
Working Capital — say, ¼ of sales	250	375
Constituted as Current Assets	350	525
Less, Current Liabilities	100	150
	250	375
Financed by Bank Overdraft (70 per cent)	175	262
Long-Term Finance	75	113
	250	375

Thus larger the amount of working capital so derived, greater the proportion of long-term capital sources siphoned off to short-term activities. It is difficult to say whether this is right or not. Apparently, when firms are worried about tight working capital situation, the logic of the above definition would perhaps indicate diversion of long-term finances for short-term purposes. For, if bank overdraft were substituted for trade creditors the current assets, less current liabilities (including bank overdraft) calculation would simply leave working capital at its previous figure. Liquidation of debtors and inventory into cash would also leave the working capital level unchanged. And so would payment of current liabilities in cash. Similarly, a relatively large amount of working capital according to this definition may produce a false sense of security at a time when cash resources may be negligible, or when these may be provided increasingly by long-term fund sources in the absence of adequate profits.

Three points seem to emerge from above. First, the Balance Sheet definition of working capital is perhaps not meaningful, except for indicating the firm's current solvency in repaying its creditors. Second, when firms speak of shortage of working capital, they in fact imply scarcity of cash resources. Thirdly, in funds flow analyses increase in working capital, as conventionally defined, represents employment or application of funds. Conceptually, a rise in working capital is thus at par with an increase in, say, fixed assets or repayment of loans. With the cash definition of working capital, however, it is difficult to see how an increase in cash is an application of funds. There seems, therefore, to exist the need for a more direct and relevant measure of cash working capital needs.

The Balance Sheet is a static position statement of the firm on a certain date. It fails to indicate the dynamic flow of values occurring in the firm throughout a period. These value flows in a going concern centre mainly around the operational activities of the business in any period. For a manufacturing concern these operations are related to procurement of materials, their conversion, sale of finished goods and realisation of debtors. Part of material and labour resources may be used on credit terms. Similarly, sales could be partly in cash and the rest on credit. In the ultimate analysis, however, it is cash flows which will keep the firm going in the long-term. Creditors and debtors and similar items are merely transient stopgaps. The firm will keep itself working and solvent so long as cash flows are not unduly upset. And the real dynamics of the pressures on cash flows are contained in the firm's Income or Profit and Loss Statement. This statement (or account) contains all the operational inflows and outflows of values — cash or credit — during a period. The conventional definition of working capital adopts a Balance Sheet view of resources for sustaining current operations. The operating cycle concept to be developed below is, however, basically a Profit and Loss Account-based tool.

II

Operating Cycle Concept

If we shift away from the Balance Sheet definition of working capital, we have to focus attention on the Income Statement and on the cash version of working capital. The transition to this vantage point is achieved through the operating cycle concept (OC). In doing so, however, the Balance Sheet is not completely cast aside. As we shall examine below, the calculation of the OC period in itself acts as a link between the Balance Sheet and the Income Statement. Underlying the application of the OC concept is a more functional interpretation of the role of working capital. It is argued here that the basic function of working capital is to support all operational activities of the firm, and costs thereof,

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over a period. It is only a part of this function to be able to meet the current liabilities as and when these fall due. The cash version of working capital fits appropriately in this wider perspective.[1]

The systematic exposition of the OC concept is contained in Park and Gladson's work.[2] The main thrust of their work has been in using the OC period for a business to define its current liabilities and current assets. This definition, quite logically, is suggested as a finer criterion to judge the funds flow pattern through working capital items, than the conventional one-year time-span. Calculation of the OC period by following through the successive stages of committing cash in the operations and finally getting it back into the stream again to begin another cycle, is quite tailor-made to the individual characteristics of a firm. All specific technological as well as commercial features of an enterprise are provided with a sharper analytical focus while deriving the duration of the OC. Thus, the nature, age, and mix of technical processes employed in a firm shall be the dominant influence on the conversion period of manufacture. Similarly, the credit period allowed to and by the firm for purchases and sales will determine the length of materials acquisition and storage and debtors' collection periods. In all these phases, the firm will have its own specific strengths and/or weaknesses, quite apart from some general intra-industry uniformities. It is such specificities which get highlighted in the OC period.

Having derived the OC period for a firm, those items of assets or liabilities alone which liquidate themselves into or by cash within that period are classified as 'current' ones. Working capital computed from such items will be very different — and more relevant — from the one based on items classified as current on a one-year basis. It is surely more useful for a firm to know how soon a unit of money put into operation is going to be recouped again in cash for use in a fresh cycle of operations. The OC period indicates precisely this time-interval. In other words, the OC concept has a built-in stress on the cash interpretation of working capital for ongoing operations. Thus, Sagan's 'money manager' could gainfully use the OC tool as one means to escape the discomfiture of being presented with "a satisfactory working capital ratio when he does not have funds to meet an immediately due payment".[3] Since many of the valuation bases adopted for current asset items are subjective assessments flowing from accrual income accounting, the OC approach to cash forecasting (as demonstrated later) should provide a stronger focus on the key resource of cash.[4]

Another point should be mentioned here. The concept of cash working capital is being employed for the four case studies below to indicate cash needed for manufacturing and selling operations only. Cash outlays involving capital expenditures, dividend payments, etc, are being ignored.

III

Computation of Operating Cycle Period

In the study presented below the following methodology has been used in determining the length of the operating cycle period. The calculations are all based on published account figures. In all cases we shall be dealing with manufacturing concerns. (Instead of taking 365 days in each year as below, it may be more realistic to assume a figure between 250 and 330 working days a year.)

(1) *Materials in Storage Period*: This measures the average time bought items remain in store prior to being released into the production stream. The following steps are involved in calculating it.

(a) Materials consumed during the year, say, M.
(b) Average daily rate of materials consumption, M/365.
(c) Average materials inventory during the year, i e, (opening inventory + closing inventory)/2, say, I.
(d) ∴ Number of days materials remain in store = I/(M/365).

Materials consumed during the year could be readily found out with the help of opening and closing stock and raw materials purchase figures.

(2) *Conversion Process Period*: This measures the time taken on average to carry out the basic manufacturing processes, converting material inputs into finished goods. The steps involved are:

(a) Cost of finished goods production during the year, say, C.
(b) Average daily cost of finished goods produced = C/365.
(c) Average work-in-process during the year i e, (opening w i p + closing w i p)/2, say W.
(d) ∴ Average conversion time = W/(C/365).

Into cost of finished goods produced will go opening w i p, materials consumed and all manufacturing expenses including wages, less closing w i p. The manufacturing expenses may have to be unearthed from schedules attached to the Profit and Loss Account. The pace of the conversion process is determined largely by the state of technological efficiency and supervisory abilities in the firm.

The degree of completion of work-in-progress on the opening and closing dates will influence the number of days for this phase of the operating cycle. This is illustrated below with simple figures where the same quantities of opening and closing w i p's are assumed 50 per cent and 25 per cent complete, for the first period, and for the second period 25 per cent and 50 per cent complete, respectively.

	Year 1	Year 2
Opening w i p	100	50
Manufacturing expenses	600	600
	700	650
Closing w i p	50	100
Cost of finished goods produced	650	550
∴ Conversion period	$75 \div \frac{650}{365}$	$75 \div \frac{550}{365}$
	i e, 42 days	i e, 50 days

This difference of 8 days reflects the relative efficiencies of conversion in the two years.

(3) *Finished Goods in Storage Period*: Some time usually elapses before finished goods move out of the manufacturers' warehouse to the customer. This is particularly so for firms which produce for stock and not against orders. How speedily this movement takes place depends upon the nature of the product(s), market(s), the season of the year, the effectiveness of sales and marketing tactics, etc. Calculation of this period follows the sequence given below:

(a) Cost of finished goods sold during the year, say, F.
(b) Average daily cost of finished goods sold = F/365.
(c) Average finished goods inventory during the year i e, (opening stock finished goods + closing stock of finished goods)/2, say, G.
(d) ∴ Average period during which finished goods remain in warehouse = G/(F/365).

Cost of finished goods sold during the year is obtained by adding to cost of finished goods produced in the year

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[already calculated in 2(a) above], the opening stock of finished goods and all administrative and selling expenses, and deducting the closing stock of finished goods at the end of the year. The splitting of administrative expenses into manufacturing and selling expense categories has been regarded as not being practically very meaningful in this context. It is also assumed that finished goods inventory valuation is done on full cost or absorption cost basis.

(4) *Debtors' Collection Period*: Depending on the commercial conventions of trade for an industry in varying economic environments, and also on the firm's own credit policies, the conversion of debtors into cash (stage 3 above being that of conversion of finished goods into debtors) will consume some time. Since published accounts do not usually show the break-up of sales into credit and cash categories, we shall assume for our purposes all sales to be on credit. The calculation then is as below:

(a) Average daily sales during the year, i e, (total net sales during the year/365), say, S.

(b) Average debtors' balance during the year, i e (opening balance + closing balance)/2, say, D.

(c) ∴ Average collection period of debtor's balance = D/S.

Since excise duty is payable by the firm on its sales, which is later on recovered from customers, two alternatives are possible. Either sales net of excise duty be considered, in which case the excise duty amount should be excluded in computing cost of goods sold. Or, gross sales value including excise duty be taken, in which case the duty amount should be added to cost of goods sold. There will be some variation in both the finished goods in storage and debtors' collection periods according to the particular alternative adopted.

(5) *Creditors' Liquidation Period*: The same mix of commercial and policy considerations as in stage (4) above also governs the period of credit obtained from the suppliers of the firm. The computation is as follows:

(a) Average daily purchases during the year, i e, (total net purchases in the year/365), say, P.

(b) Average creditors' balance during the year, i e, (opening balance + closing balance)/2, say, C.

(c) ∴ Average credit period obtained from suppliers = C/P. This period goes to the advantage of the firm, and to that extent is to be offset against the sub-total of the first four phases of the operating cycle period.

Thus taking together the above five calculations, the operating cycle period is derived as follows:

I/(M/365) + W/(C+365) + G/(F/365) + D/S — C/P = OC.

IV

Four Cases

As already mentioned, the analysis reported below is intended to demonstrate the use of the OC concept based on published annual reports of the firms. In this section the analysis alone will be presented. The next section will draw attention towards some of the highlights and limitations of the analysis done here.

The study covers four companies over a five-year period from 1965 to 1969. These companies are Union Carbide of India Ltd, Hindustan Lever Ltd, Dunlop (India) Ltd, and Guest, Keen and Williams Ltd. The first and the third firms belong mainly to the consumer durable goods industry. The second is a consumer goods producing firm. The fourth one is in the producers' goods industry. Published final accounts for all these firms for the 5-year period provided all data used below.

In each case the length of the OC period has been computed for each of the five years. This, in turn, has been converted into the number of operating cycles completed by each unit of money in a year. In the third step we have computed from the Profit and Loss Accounts the total operational expenses on account of materials, wages, etc, for each year, excluding depreciation. Although depreciation is a non-cash charge, yet it goes into the valuation of work-in-progress because of the absorption-costing basis assumed earlier. But since this is an expense not requiring cash outlay, we are excluding it in computing operational expenses. Other administrative and selling expenses are included. Taxes and dividends are not considered however in computing operational expenses because these are appropriations subsequent to the accrual of profits from operations. These outlays are not meant for supporting the operations of the business. The next step is to divide the total operational expenditure for each year calculated above, by the number of operating cycles for the relevant year already figured out in step two earlier. The resultant amount indicates on an *ex post* basis the *cash working capital* that should have been required to sustain the year's operations. This figure will in all probability not equal the average working capital amount as conventionally derived from Balance Sheet items of opening and closing current assets and current liabilities. Let us examine Table 1.

The following points emerging from Table 1 are significant:

(1) The year 1967 seems to be the 'hump' year for nearly all phases of the operating cycle. This is reflected in the longest OC period — 159.5 days — in that year during the 5-year period covered. And following from this, the number of OC's completed in 1967 is also the least, i e, 2.5 approximately. The years 1968 and 1969 have registered consistent reductions in all the first four phases of the OC. The credit period allowed to suppliers has, however, shown a slight rise in 1969 over 1968. Consequently, the OC duration

TABLE 1: UNION CARBIDE (INDIA) LIMITED

Years / Particulars	1965	1966	1967	1968	1969
	Days	Days	Days	Days	Days
(1) Raw materials in store	134.4	127.3	147.2	117.9	102.8
(2) Conversion period	18.5	18.4	21.7	16.0	15.2
(3) Finished goods in store	31.5	29.1	30.3	25.8	25.8
(4) Debtors' collection period	24.4	22.6	24.2	24.1	19.1
Less	208.8	197.4	223.4	183.8	162.9
(5) Creditors' payment period	58.7	44.3	63.9	61.4	62.0
(6) Operating cycle period	150.1	153.1	159.5	122.4	100.9
(7) Number of operating cycles per year (365 ÷ Row 6)	2.431	2.384	2.288	2.982	3.617
	Rs/mil	Rs/mil	Rs/mil	Rs/mil	Rs/mil
(8) Cash working capital requirement	65.0	86.4	107.3	104.1	102.7
(9) Average working capital as per balance sheet	51.7	72.2	87.9	105.5	116.6

for 1969 is the shortest in the five years — 101 days only. This, in turn, gives the greatest number of operating cycles for this year — 3.6 times. The preliminary inference from this situation is: relatively less cash working capital should be needed in 1968 and 1969 to sustain the same volume of business.

(2) The difference between cash working capital requirement and Balance Sheet working capital may also be investigated by examining the pattern of working capital behaviour during the year. The averaging of opening and closing working capital figures could very well obscure the seasonal or other periodic influences like pre-budget buying, procurements against import licences, etc. Possessing internal information, one could also adjust Balance Sheet working capital for obsolete stocks, old debtors, doubtful claims, etc, which should not influence the operating cycle. These points would be equally applicable to the three following cases as well.

(3) By dividing the total operational expenses during each year by the respective number of operating cycles, we arrive at figures of required cash working capital shown against row 8 in the Table. It is interesting to observe that upto 1967 there has been a substantial excess of cash working capital needed over the average working capital amount derived from the Balance Sheet. This leads to a preliminary hypothesis that upto 1967 the OC periods were too long with the result that more cash was necessary to carry on business. In 1968, when the number of OCs completed during the year showed marked improvement, the gap between cash working capital and Balance Sheet working capital is almost nil. And in 1969, with further sharp reduction in the OC period duration, the Balance Sheet working capital substantially exceeds cash working capital. This comparision may be better understood if we consider the 'cash value' of Balance Sheet working capital, i e, all non-cash current assets realised at their full money value, less cash payment of all current liabilities in full.

If excess cash working capital were needed for three years upto 1967, where could it have been drawn from? A *prima facie* answer probably lies in that such additional needs were met out of long-term fund sources of the firm.

(4) The two preceding points are a sort of *post mortem*. But a forward-looking analysis is also possible with the help of information contained in Table 1. It has been suggested earlier that cash working capital requirements are a function of the volume of activity, given a certain duration of the operating cycle. If sales volume is regarded as an indicator of level of activity, then it may be hypothesised that cash working capital needs would be a positive function of sales volume. In the absence of a common denominator of physical sales for a wide variety of products, we have to accept sales value as a surrogate measure of activity level. This will, however, cause distortions due to changes in selling prices which may not necessarily have any impact on cash working capital needs. A regression equation could be fitted to, say, the past 10-15 years' sales figures with those of corresponding operational expense amounts. With the help of this equation, for the forecast sales level for a particular year, the corresponding operational expense figure could be readily obtained. Although the amount so obtained would by itself have covered the inflationary factor to some extent, quite apart from reflecting the direct correlation between activity level and operational expenses, we may add a further margin to allow for anticipated inflationary price increases.

Thus, sales, less excise duty, for Union Carbide increased steadily from Rs 165.4 million in 1965 to Rs 387.3 million in 1969. This represents an average 27 per cent increase in activity level per annum over the quinquennium. If we allow for the fact that during 1968 and 1969 — just following the recession — the rates of increase were much more than normal, then we might assume that sales would register a rise of around 15 per cent in 1970 over 1969. Of course, estimates of future changes affecting sales in 1970 would also be used to refine the forecast based on past average behaviour of sales. Assuming, however, that a 15 per cent rise is expected in 1970 in the final analysis, sales would be around 435.4 million.

In 1969 the number of operating cycles completed by each unit of money was 3.617. Assuming this could be marginally improved upon to 3.7 in 1970, then cash working capital requirement is established at (Rs 435.4 million/3.7), i e, Rs 118 million approximately for 1970. As the rate of inflation per annum is of the order of 6 per cent now, an additional 6 per cent margin on Rs 118 million would yield an estimate of cash requirement at Rs 125 million. The benefit of this calculation is that it focuses clearly on the demand for liquid money for next year's manufacturing and selling operations (not capital expenditure, however). Such an estimate, we feel, is crucial because the conventional working capital figure by itself may be misleading, despite the fact that cash resources are generated through the realisation of current assets. In fact, non-cash current assets could be managed better if we know the amount of cash working capital needs. Decisions about overdraft facilities could also be better taken if the extent of gap between direct cash realisation through sales plus through realisation of current assets, and operational cash requirements could be more rationally forecast in advance.

We have mentioned above the possibility of improving upon the number of operating cycles per year to 3.7 in 1970. More explicitly, it implies a reduction in the duration of the OC period. It may be observed from Table 1 that except in 1967, the durations of

TABLE 2: HINDUSTAN LEVER LIMITED

Particulars \ Year	1965	1966	1967	1968	1969
	Days	Days	Days	Days	Days
(1) Raw materials in store	46.6	47.8	44.5	50.5	40.9
(2) Conversion period	8.3	7.4	6.7	7.3	7.4
(3) Finished goods in store	26.7	29.7	26.5	23.9	22.6
(4) Debtors' collection period	3.9	5.0	5.9	6.6	7.0
Less	85.5	89.9	83.6	88.3	77.9
(5) Creditors' payment period	21.2	24.9	23.0	24.7	23.8
(6) Operating cycle period	64.3	65.0	60.6	63.6	54.1
(7) Number of operating cycles per year (365 Row 6)	5.676	5.615	6.023	5.739	6.746
	Rs/mil	Rs/mil	Rs/mil	Rs/mil	Rs/mil
(8) Cash working capital requirement	127.9	139.8	142.9	153.0	149.5
(9) Average working capital as per balance sheet	114.6	152.2	166.2	165.3	167.0

each of the first four phases have shown a falling trend. It is for management to go deeper into each phase and to try to look for possible further economies in any or some of these phases. And, of course, attempts may be made to prolong creditors' repayment period without jeopardising goodwill.

The following points need highlighting from Table 2:

(1) The difference in the nature of industries to which Union Carbide and Hindustan Lever respectively belong seems to be clearly demonstrated by the marked variation in the length of their OC periods, and hence the number of operating cycles completed each year by them. Union Carbide manufactures mainly dry cells and torches of various specifications under the famous brand name of 'Eveready'. Hindustan Lever, on the other hand, produces consumer goods like soaps, baby foods, beverages, etc. Viewed in this light, lesser time-spans involved in each and every phase of the OC period for Hindustan Lever, compared to those of Union Carbide, seems inherent in their respective product ranges. A tentative hypothesis could thus be suggested: firms belonging to the consumer goods industry are likely to have shorter OC periods than those belonging to the consumer durable goods industry — at least for the sale-of-finished-goods and realisation-of-debtors cycles. Sometimes, however, bulk-buying of seasonal crops may cause the raw materials-in-store period to be relatively long for consumer goods firms, e g, tobacco or tea.

(2) The range of fluctuation in the length of the OC period between 1965 and 1969 is much less for Hindustan Lever (17 per cent, i e, $\frac{65-54.1}{65} \times 100$) than for Union Carbide (36 per cent, i e, $\frac{159.5-100.9}{159.5} \times 100$). Although we are not here going to suggest an answer to it, yet a question may be raised: is this difference in amplitude of fluctuation attributable to the greater sensitivity of consumer durable goods industry to business cycles, compared to that of consumer goods industry? For, the Indian economy suffered a recession between 1965 and 1968, following the Indo-Pak war of 1965 and crop failures.[5]

(3) It will be noticed from Table 2 that cash working capital requirements are consistently less than average working capital as per Balance Sheet for all the years except 1965. This may be contrasted to the changing relationship of these two amounts for Union Carbide shown in Table 1. It was argued there that such changes were possibly due to too long an OC period for Union Carbide until 1967 which caused more cash resources to be deployed to run the business. When in the last two years the efficiency of the OC improved we found relatively less cash resources were needed to sustain higher levels of activity. Following this line of reasoning, it seems Hindusthan Lever has been able throughout the period to maintain such a minimum level of OC efficiency that there has been no occasion when cash requirements exceeded Balance Sheet working capital (except in 1965). This is perhaps a healthy sign because it indicates that the rate of conversion or realisation of non-cash current assets adequately meets the cash requirements of business operations.

(4) Sales, less excise duty, for Hindustan Lever stepped up from Rs 662.1 million in 1965 to Rs 1,020.0 million in 1969. This represents an annual average rate of increase of about 11 per cent. Since this firm belongs to the consumer goods category, and hence is liable to a lesser degree of fluctuation in activity level, we assume that 11 per cent rate of increase would be maintained for the next year also. Based on this prognosis, estimated sales for 1970 is Rs 1,132 million approximately. Assuming that the 1969 level of operating cycle efficiency is maintained for 1970 also, then the number of operating cycles for 1970 will remain at 6.75. Dividing Rs 1,132 million into 6.75, we get an estimated figure of cash requirements at Rs 168 million nearly. Adding a margin of 6 per cent for inflation, the final estimate is Rs 178 million.

Comparison of Table 3 with Tables 1 and 2 throws up the following interesting points:

(1) The lengths of the OC periods of Dunlop are more in line with those of Union Carbide, whereas their disparity with the OC period of Hindustan Lever is substantial indeed. The most plausible explanation for this seems to be the fact that Dunlop and Union Carbide fall in the same industrial category, i e, consumer durable goods. Hindustan Lever is in an altogether different kind of business.

(2) Pursuing the comparison between Union Carbide and Dunlop a bit further, it is noticeable that except for the finished goods in store period, all the other four phases of the OC are of quite disparate lengths for the two firms. This only substantiates the point that the technological and commercial characteristics of the firms are quite different. A tailor-made OC period is, therefore, a more precise guide to cash needs. However, that the two firms belong to a common industrial category is shown by the overall closeness of their net OC periods (row 6), particularly in the year 1969.

(3) Compared to Union Carbide, the range of fluctuation in the duration of OC periods for Dunlop is very much less — only about 8.6 per cent $\left(\frac{111.7-102.3}{111.7} \times 100\right)$ over the five-year period. However, this is also half the extent of fluctuation experience by Hindustan Lever during the same years. Apparently the argument made earlier that such differences may be attributable to the greater sensitivity of con-

TABLE 3: DUNLOP (INDIA) LIMITED

Particulars \ Years	1965	1966	1967	1968	1969
	Days	Days	Days	Days	Days
(1) Raw materials in store	67.7	70.8	76.4	73.5	77.1
(2) Conversion period	6.4	5.4	5.9	6.8	6.6
(3) Finished goods in store	23.0	20.2	19.4	23.2	24.5
(4) Debtors' collection period	50.6	44.2	45.7	44.4	41.7
Less	147.7	140.6	147.4	147.9	149.9
(5) Creditors' payment period	36.0	37.4	44.3	43.3	47.6
(6) Operating cycle period	111.7	103.2	103.1	104.6	102.3
(7) Number of operating cycles per year (365 — Row 6)	3.267	3.536	3.540	3.489	3.567
	Rs/mil	Rs/mil	Rs/mil	Rs/mil	Rs/mil
(8) Cash working capital requirement	141.4	154.9	166.7	189.8	208.8
(9) Average working capital as per balance sheet	128.4	137.1	159.6	169.7	184.8



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sumer durable goods firms to business fluctuations in contradicted by the behaviour of OC period in Dunlop. The answer to this riddle may lie in a closer analysis of the relative impact of the 1965-68 recession on a firm like Union Carbide compared to that on a firm like Dunlop, even though both of them belong to the consumer durable group of industries.

(4) The cash working capital requirements of Dunlop have consistently exceeded the average Balance Sheet working capital in all the years. This is so despite the fact that it has had each year a bigger number of operating cycles except in 1969, than those of Union Carbide. The reasons may again be specifically firm-oriented. In other words, there is possibly scope for further reductions in some or all phases of the operating cycle for betterment in the efficiency of operating cycle turnover. The excess of cash needs over Balance Sheet working capital also indicates that such excess is likely to have been supported from long-term sources of funds. However, from the standpoint of computing the conventional 'return on capital employed', which includes working capital in the denominator, lower Balance Sheet working capital figure indicates relatively efficient employment of resources. And following this reasoning, Hindustan Lever should be bearing an unfavourable comparison with Dunlop.

(5) Dunlop's sales (less excise duty) increased from Rs 397.2 million to Rs 644.4 million over the five-year period, i e, by nearly 62 per cent. This means an average annual growth rate of 12.4 per cent. Considering the fact that this firm belongs to the consumer durable goods group, and that therefore it had responded to a greater extent to business fluctuations than Hindustan Lever, it may not be possible for Dunlop to maintain the average rate of 12.5 per cent, which bears the impact of relatively high growth rates in 1968 and 1969 immediately following the recession, into 1970. Let us, then, assume it to be 10 per cent for 1970. Estimated sales is, therefore, Rs 709 million. As the OC period is showing very slow improvement, let us also assume that for 1970 the efficiency achieved is such as to yield 3.75 operating cycles in the year. The corresponding cash working capital estimate is therefore Rs 709 mil/3.75, i e, Rs 189 million approximately. Topping it up with a 6 per cent inflation margin, the final figure is Rs 200 million.

The important points to emerge from Table 4 are:

(1) GKW belongs to the engineering producers goods industry which weathered the worst blast of the 1965-1968 recession. This fact is worth bearing in mind while interpreting data contained in the above Table. Thus, for GKW too, like Union Carbide, the 'hump' year for the duration of the OC period is 1967. Preceding and following this year, the OC periods behave in a similar pattern for both these firms. This similarity lends again some support to the point made earlier that, as we move up the scale from consumer goods industry to producers' goods industry, there is an overall tendency for the respective OC periods to be more sensitive to cyclical fluctuations in economic activity. But the range of variation for GKW is almost 50 per cent

$$\left(\text{i e, } \frac{190-95.9}{190} \times 100\right).$$

This possibly reflects that a firm in the producers' goods industry will tend to be even more sensitive to business cycles than a firm in the consumer durables industry.

(2) The gap between cash working capital and Balance Sheet working capital for GKW has not, however, behaved the way it has done for Union Carbide corresponding to changes in the OC period. Like Hindustan Lever, GKW's cash resource needs seem to have remained consistently less than Balance Sheet working capital for the five-year period. For GKW too, therefore, it could be suggested that the rate of conversion of non-cash current assets has been more than sufficient to satisfy the cash needs of business. This line of argument seems to have some weight when judged against the reverse situation where cash working capital needs are greater than Balance Sheet working capital, e g, Dunlop's case. In the latter instance it would appear that net non-cash current assets are by themselves inadequate to meet the level of cash requirements dictated by the existing state of efficiency of the operating cycle.

(3) The fact that average Balance Sheet working capitals are far in excess of cash working capital requirements for both GKW and Hindustan Lever has another implication. This could mean that return on capital employed measures for judging managerial efficiency in managing the firms assets are shown in a poorer light due to larger-than-necessary working capital appearing in the Balance Sheet. In other words, sharper focus is thrown on the need for effective management of current assets against the background of estimated cash requirements. And the latter estimate is made possible on an overall basis by computing the operating cycle period.

(4) Sales (the product mix of GKW is such that excise duty on its sales is almost negligible) for this firm increased from Rs 285 million in 1965 to Rs 320 million in 1969, i e, a 12.5 per cent rise in 5 years. The annual average rate has, therefore, been of the order of only 2.5 per cent. Since GKW was worst hit by the recession, and since the producer goods industry group takes longer time to pick up momentum, we may assume that next year's rate of sales will be more in line with the rates experienced in 1968 and 1969 which were about 4 per cent and 8 per cent respectively, rather than with those of the earlier years. On top of that, with industrial activity picking up, it may be presumed that 1970 sales will register a 10 per cent improve-

TABLE 4: GUEST, KEEN AND WILLIAMS LIMITED

Particulars \ Years	1965	1966	1967	1968	1969
	Days	Days	Days	Days	Days
(1) Raw materials in store	90.5	126.4	141.4	127.3	71.0
(2) Conversion period	13.6	14.5	15.8	14.1	17.9
(3) Finished goods in store	25.4	34.6	41.2	39.9	22.8
(4) Debtors' collection period	63.9	75.7	78.9	87.8	70.8
Less	193.4	251.2	277.3	269.1	182.5
(5) Creditors' payment period	80.6	93.2	87.0	119.7	86.6
(6) Operating cycle period	112.8	158.0	190.3	149.4	95.9
(7) Number of operating cycles per year (365 ÷ Row 6)	3.235	2.310	1.921	2.443	3.806
	Rs/mil	Rs/mil	Rs/mil	Rs/mil	Rs/mil
(8) Cash working capital requirement	82.1	117.8	141.2	94.2	73.2
(9) Average working capital as per balance sheet	105.8	142.2	171.7	161.6	126.4

ment over 1969. Based on this premise, next year's sales estimate is around Rs 352 million. If the number of operating cycles for 1970 is improved to 4.0, then the estimated cash working capital need for the year is Rs 88 million. A 6 per cent addition for inflation makes the estimate approximately Rs 93 million.

V

Consolidating Comments

(1) In the workings presented above, we have included cash in Balance Sheet working capital computations. It may have been more appropriate to exclude cash from such calculations because we were comparing cash requirements with current assets, less current liabilities. The implication in conventional working capital computations just mentioned is that current assets get converted into cash during the financial period which, after paying off the current liabilities, provides for meeting other operational expenses. The paradox, however, is that such current assets as are relied upon to yield cash, themselves need to be supported by funds until conversion into cash. It is worthwhile to remember that increase in working capital represents an application of funds, and not a source. In other words, large amounts of current assets need not necessarily be a rational source of financial comfort. The method of computing the operating cycle period outlined above in fact leads to longer OC periods for larger inventories, debtors, etc. This, in turn, implies slower turnover rates, dictating more cash requirements, to support intervening operations. Unless, therefore, the length of the OC period is shortened, increasing balance sheet working capital could induce cash requirements which exceed such capital. This hypothesis seems to be corroborated in the case of Union Carbide. Until 1967 when the OC period ranged between 150 and 159 days, cash requirements consistently exceeded Balance Sheet working capital, despite the steady rise in the latter amount too. When, however, in 1968 and 1969, the OC periods came down sharply, cash requirements were almost equal to and less than (respectively) conventional working capital despite continuing increase in the latter. Guest, Keen and Williams, however, presents a different picture. Although the OC periods varied from a high of 190 days to a low of 96 days, cash requirements seemed always to be less than Balance Sheet working capital. There could be two reasons for this. First, the level of OC efficiency has always been at a consistently high pitch. Second, as this unit in our sample was most affected by the recession, the scale of operations did not expand as much as it did for the other three firms, and so called for relatively less stretch in cash resources.

(2) The principal theme of this article has been the stress on the significance of cash requirements for business operations, relatively to that of conventional working capital. Some moderation is, however, called for in this emphasis too. In times of continuous inflation it is not wise to hold high cash balances than necessary. Quite apart from being a sign of inept management of the firm's growth, continually surplus cash balances are bound to suffer erosion in real value due to persistent inflation. Paton argues in this context that a 1 : 1 ratio (instead of the usual 2 : 1) between cash and near cash items and current liabilities should be striven for in most business situations.[6] The computation of the OC period, and its application in the manner indicated above, seems to provide an even clearer and firm — relevant measure of the zone of tolerance for holding judicious cash balances on a continuing basis. This is not to suggest that current assets are to be or can be eliminated. The point is that having estimated annual cash requirements on a more systematic basis, the management and conversion of non-cash current assets could be effected in such a manner as to ensure that the cash level norm is maintained fairly consistently.

(3) The estimation procedure for cash requirements outlined above relates only to the operating aspects of the business, i e, buying, manufacturing, selling, etc. Cash is required for at least three other major activities namely, repayment of loans, investments in capital items, and dividend payments. Provisions for these have to be super-imposed on cash needs for operations. And the proper context for doing this is the overall funds flow analysis carried out at the beginning of each period. While dividend payouts and loan repayments could be known fairly correctly — the former being based on standard company policy, and the latter being governed by contract terms — the capital expenditure programme is a matter of careful decision-making. Total cash budgeting shall have to await the capital expenditure decisions which may in turn have significant financing implications — both short and long term.[7]

(4) It is generally recognised that firms tend to suffer cash shortages during periods of growth and expansion. Correspondingly, due to lagged effects, onsets of decline in business activity are likely to be associated with surplus cash. We, therefore, tried to interpret the calculations for the four firms chosen for this study in terms of the industrial recession during 1965-68. In our sample, Guest, Keen and Williams was the worst hit firm, while Hindustan Lever was perhaps the least affected by the recession. Both firms exhibit lesser cash requirements than Balance Sheet working capital, except in 1965 for Hindustan Lever. But the significant fact is that the gap between the two figures is consistently very much larger for GKW — both in absolute amounts and in percentages — than for Lever. This seems to lend support to the phenomenon of surplus liquid funds (*via* withheld capital replacements, scaled down purchases and inventories etc) during declining business activity.[8]

In comparing Dunlop with Lever, however, we find that explanation through recession loses some force. Dunlop belongs to the consumer durable goods (or intermediate goods, according to RBI) industry, while Hindustan Lever is a consumer goods firm. The impact of recession on Dunlop should, therefore, have been more pronounced than that on Lever. Dunlop should, accordingly, have produced evidence of cash surplus (i e, lesser cash requirements than working capital) to a greater extent than Hindustan Lever. The figures, however, produce a very contrary picture. Dunlop's cash requirements have always been in excess of working capital. The average increase in sales over 1965-1969 for Dunlop and Lever were nearly equal, i e, 12.4 per cent and 11 per cent respectively. It cannot possibly be forcefully argued, therefore, that Dunlop's operations expanded at a much faster rate than Lever's (although one would have expected Dunlop's sales to have grown in fact at a smaller rate than Lever's). A better explanation may, therefore, lie in the relative efficiencies of the OC periods for the two firms. Given the industrial categories to which they respectively belong, the OC period for Dunlop is perhaps so high as to require excess cash than warranted by working capital — even during recession. Correspondingly, Lever's OC efficiency being high, it is able to do with less cash than indicated by the cash value of its working capital. This may indicate lowering the amount of working capital investment for improving the rate of return on capital employed.

(5) We have used sales forecast (the method for deriving it could of course be much more refined in practice than here)[9] as the independent causal variable in estimating cash requirements for the year 1970 in each case. In fact, it is in the projection of cash requirement, along with sales forecast, for the next period that the OC period should prove more useful than in performing the kind of *post mortem* analysis outlined above.

How does working capital, as conventionally computed, relate to sales or turnover in comparison with the cash requirement-turnover relationship? Working capital is the net resultant of balancing between several items, and of varying valuation bases for some of them. Grass has listed several points why working capital may not vary directly with sales, some of which are mentioned below:[10]

(1) Level of work-in-progress depends on the length of the manufacturing time-cycle, and therefore on the products and the product mix.
(2) Work-in-progress is geared to output at manufacturing cost, not turnover.
(3) Finished stock levels depend upon commercial factors.
(4) Debtors levels depend on credit terms and liquidity of customers.
(5) Creditors are geared to purchases rather than turnover, etc.

It is precisely such factors as Grass has highlighted which have been explicitly incorporated in the operating cycle methodology elaborated above. Each step in the OC period computation leads to the assessment of the impact of the transformation process of each current asset item on the firm's cash resources. The operating expenses for the next year, derived from sales forecasts and adjustments for inventories and work-in-progress, are then used to estimate cash, and not so-called working capital requirements. The derivation of cash requirements through this process seems to be more obviously linked to sales or turnover, than is the link of conventional working capital to sales, although over the long term the latter relationship should also broadly hold good.[11]

(6) It may be argued that it is an anomaly to use the same current asset and current liability figures from the balance sheet for computing the length of each phase of the operating cycle, calculating the OC turnover rate from thence and finally the cash estimates, and then comparing it with working capital derived by netting the same current item groups. A little reflection will show that no such anomaly exists in fact. Balance Sheet working capital (interim or annual) is a static picture of the net current assets position, including cash. When the opening and closing balances of these items are linked with the relevant operational activities of the firm in the process of computing the OC period, these figures get re-interpreted in a dynamic context. And an estimation of cash needs for operational purposes is feasible only through such linking of current items to the technological and commercial dynamics of the firm.

(7) The foregoing analysis is subject to the basic limitations of an external investigator having to rely on published information alone. Thus, the use of average working capital on the basis of opening and closing balances only is liable to errors because the levels of working capital during the year could be quite different from the opening and closing figures. This may be especially true of seasonal businesses.[12] But for the kind of firms analysed in this paper ignoring the seasonality factor seems realistic. There is no apparent reason to think that the year-end Balance Sheet figures for these firms represent the culmination of a 'natural' business year with rock-bottom inventories and accounts receivables and high liquidity. Again, different product lines within the same firm might exhibit distinct operating cycle characteristics. Cash estimates could be more refined and accurate if the OC calculations are done separately for each product line. However, the basic intention in the article has been to demonstrate the use of the OC concept, and not to throw up definitive conclusions about the management of cash working capital or current items in the four firms analysed.

(8) It may be suggested that after having forecasted 1970 cash working capital needs above, why not compare these with actuals as available from 1970 published accounts. This has not been done for the simple reason that the blanket assumptions made by us about various elements of the OC computations and sales projections, without entering into any dialogue with the firms, are only illustrative in nature. Comparisons of forecasts in this paper with the actuals would, therefore, convey little meaning. It is, however, likely to be a useful exercise for the internal analyst. Besides, the period 1965-69 was chosen to cover the recession spell and to relate Balance Sheet and cash working capital movements over that period. Otherwise, more recent years could have been considered as well.

(9) Banks in India are reported to make use of the OC calculations for seasonal industries like tea, tobacco, sugar, etc. They do not rely upon the annual Balance Sheet figures to ensure security of overdrafts in relation to these industries. Many well managed firms themselves also employ these calculations to watch their own cash movements. However, it does not seem to be a widely used approach in industrial houses. The simple presentation of the method in this paper may contribute to a better monitoring and managing of cash working capital.

(10) Finally, in our computation of the OC periods above, we have assumed collection of debtors to result directly in cash-inflow. In most cases in practice, however, this is not so. For, much of such realisations constitute cash-in-transit, cheques to be cashed and the like. In consumer goods industries this may be an important factor. A calculation of cycle period for cash inflow on the same basis as for debtors' collection shown above may, therefore, be made and added as a sixth element in the OC period.

Notes

[This paper has benefited from the comments and suggestions made by A Sen. Any shortcomings are this author's.]

1 Some writers, however, prefer not to include cash in working capital since cash is the effect rather than the cause of working capital changes. For example, see "Control of Working Capital", (ed) M Grass, Gower Press, Essex, 1972, p 6. But the cash view of working capital seems most effectively supported for a firm which is planning to start its operations for the first time. Evidence for this interpretation seems also to be contained in assertions like "working capital is to be provided for to the extent of 6 months' works cost of production". Only a cash view of this amount can carry clear conviction. See Report on The Fair Ex-Works Retention Prices of Steel for the Period 1st April 1960 to 31st March 1962, Tariff Commission, Government of India, Bombay 1962, p 43. Correct comparison seems possible only when we have an estimate of total cash requirements for operations during a period, as distinct from conventionally defined working capital.

2 Park, C and Gladson, J W, "Working Capital", Macmillan Co, New York, 1963, Chapter 3.

3 Sagan, J, "Toward a Theory of

Working Capital Management", in "Financial Management — Policies and Practices", (eds) F J Corrigan and H A Ward, Houghton Mifflin, Boston, 1963, p 186.

4 Lee, T A, "A Case for Cash Flow Reporting", *Journal of Business Finance*, Volume 4, Number 2, Summer, 1972, pp 27-36.

5 See "On Recent Recessionary Trend in Organised Industry", *Reserve Bank of India Bulletin*, July 1968, pp 862-69. The RBI industrial classification is different from ours: its categorisation being Basic Industries, Capital Goods Industries, Intermediate Goods Industries and Consumer Goods Industries. The study has contrasted the wide fluctuations in growth rates of output of basic and capital goods industries gained the nearly steady declining rates of the last two groups. GKW, which falls in the capital (our producers') goods industry, has thus shown the widest fluctuations. Dunlop and UCIL fall in RBI's intermediate goods group, although a distinction based on durability is also logical.

6 Paton, W A, "Observations on Inflation from an Accounting Stand", *Journal of Accounting Research*, Volume 6, Number 1, Spring 1968. p 84.

7 For a simple methodology of assessing overall cash surplus (or shortage) situation in the context of funds flow analysis see Jackson, A S, and Townsend, E C, "Financial Management", George Harrap, London, 1970, pp 157-62.

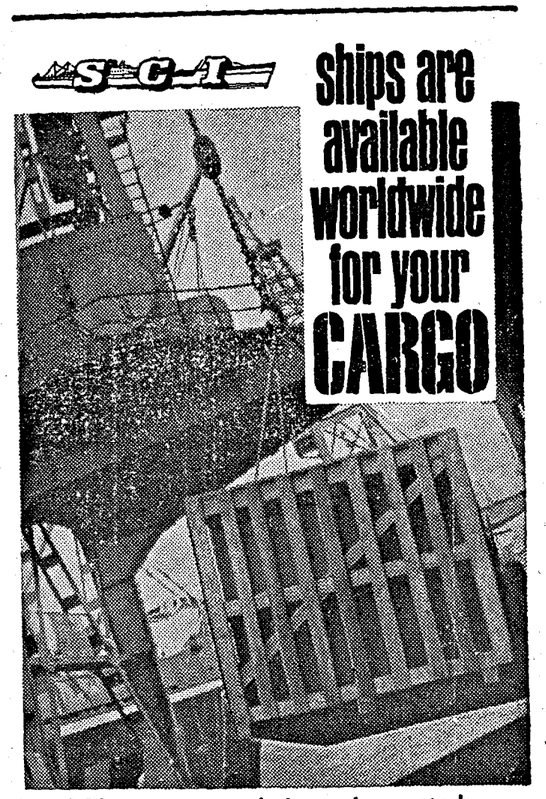
8 See for example, Cohen J B and Robbins, S M, "The Financial Manager" Harper and Weatherhill International, Tokyo, 1968, p 300: "[The] tendency for companies to become cash-poor as the tide of economic prosperity rises and cash-rich as it runs out is a well known economic phenomenon."

9 See Weston, J F and Brigham, E F: "Managerial Finance" Holt, Rinehart and Winston, New York, 1972, pp 73-77. They have refined the 'percentage of sales method' by computing the ratio of each item of *current asset* and *current liability* to sales. The use of these ratios for forecasting working capital needs is suggested after duly tempering them with an understanding of basic technology and the logic of sales-to-current items relationships for the firm. We have, however, suggested only one relationship in the OC concept above — cash to sales. All current asset items are transformed into cash as it were. Weston and Brigham suggest more refined forecasting techniques also, e g, linear regression, multiple regression, etc.

10 Grass, *op cit*, p 7.

11 Most authors seem to hold the sales-to-working capital causal relationship to be true. Thus, Archer, S H and D'Ambrosio, C A, state: "In general it is possibly safe to say that the size of *working capital* ... is usually a *function of sales*, as are fixed assets", "Business Finance: Theory and Management", Collier Macmillan International, New York, 1972, p 313. Weston and Brigham also emphasise the same point, *op cit*, p 72.

12 This point has also been highlighted by Jaedicke, R K, and Sprouse, R T, in "Accounting Flows: Incomes, Funds and Cash", Prentice Hall, Englewood Cliffs, New Jersey, 1965, pp 109-114.



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Growth of Manufacturing Companies in Japan, 1961 to 1970

Madan Gopal Jajoo

This paper discusses the place of 1,001 listed manufacturing companies in the growth of Japan during 1961-70.

The companies are divided, first, into major industry groups and, then, into major products groups. These companies together account for between 30 and 75 per cent of the output of the major industry groups.

The growth of output in the listed companies has been more rapid than that in the relative industry group. Industry groups which did not achieve the average growth are mainly companies engaged in the basic consumer goods producing industries which have been long-established.

The further analysis of correlation of the growth in output with the increase in fixed assets shows that in several product groups the increase in fixed assets did not result in a matching increase in output.

I

THE Japanese economy achieved a phenomenal growth in the decade 1961-1970, surpassing the growth rate previously recorded by any other country under peace conditions. Tables 1 and 2 show the sectorwise growth of Japan's GNP during 1961 to 1970: Table 1 contains data based on Total Product (gross output of each sector without any deduction for inputs) while *Table 2 shows Net Domestic* Product — in both cases, at current market prices.[1] This growth of the Japanese economy has been hailed as a miracle. Nature has not endowed Japan very generously with the material resources that are required to *sustain an advanced industrial economy.* Despite this handicap, Japan has made tremendous progress in industrial production. Japan ranks third in production of steel, second in production of automobiles, first in shipbuilding, and similarly in many other industries. Growth of industrial production and growth of other sectors have been well balanced. It is also remarkable that, while achieving *this record growth, the* rise in price levels has been considerably lower than in many other developed countries. In fact, when adjustment is made for the change in price level during the decade, the growth of GNP in Japan in real terms appears even more impressive.

Another significant aspect of the economic growth of Japan has been the rapid expansion of exports. Exports increased from $ 4,236 mn in *1961* to $ 19,318 mn in 1970; the balance of foreign trade which, in 1961, was a deficit of $ 1,575 mn changed, in 1970, to a surplus of $ 437 mn. Consequently, foreign exchange reserves which were $ 1,486 mn in 1961, rose to $ 4,399 mn in December 1970. It *is a widely shared* belief that the growth of the Japanese economy has been based on the growth of its exports. This is, perhaps, to put a wrong perspective on what actually happened. Paul Samuelson made this very remark in a lecture delivered in Tokyo in October 1971 but hastened to add that what he really meant was that the growth of exports was commensurate with the growth of the economy. The correct view would be that lack of *adequate growth* of exports would have acted as a constraint on the growth of the Japanese economy—as *has happened in every developing* economy.

A break-up of manufactures is available in National Income Accounts

TABLE 1 : SECTORWISE GROWTH OF GNP IN JAPAN
(Total Product Basis)

(In billion yen, at current prices)

Sector	1961		1970		Increase 1961-1970		Average Annual Growth Rate Per Cent
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	
Agriculture	2,246.0	(5.3)	4,993.4	(3.2)	2,747.4	222	9.27
Forestry	545.1	(1.3)	697.1	(0.4)	152.0	127	2.69
Marine products	419.1	(1.0)	1,024.4	(0.7)	605.3	244	10.42
Mining	493.0	(1.2)	820.8	(0.5)	327.8	166	5.80
Manufactures	20,997.9	(49.5)	74,421.8	(48.7)	53,423.9	354	15.08
Electricity, gas and water	826.3	(1.9)	2,586.1	(1.7)	1,759.8	313	13.51
Construction	4,302.4	(10.1)	16,516.0	(10.8)	12,213.6	383	16.10
Wholesale and retail trading	4,055.9	(9.6)	17,366.4	(11.4)	13,310.5	428	17.54
Transport and communication	2,535.6	(6.0)	8,520.4	(5.6)	5,984.8	336	14.41
Finance and insurance	1,220.8	(2.9)	4,426.8	(2.9)	3,206.0	362	15.37
Housing and land	1,125.5	(2.6)	5,165.9	(3.4)	4,040.4	459	18.45
Services	3,054.5	(7.2)	14,013.4	(9.2)	10,948.9	457	18.39
Public administration	606.9	(1.4)	2,295.2	(1.5)	1,688.3	378	15.93
Adjustments							
Total	42,439.0	100.0	1,52,847.8	100.0	1,10,408.8	360	15.30

Source : Economic Planning Agency (EPA), Government of Japan.

TABLE 2 : SECTORWISE GROWTH OF NET DOMESTIC PRODUCT IN JAPAN
(Value Added Basis)

(In billion yen, at current prices)

Sector	1961		1970		Increase 1961-1970		Average Annual Growth (Per Cent)
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	
Agriculture	1,529.9	(8.4)	2,932.7	(4.6)	1,402.8	191	7.46
Forestry	444.1	(2.4)	537.6	(0.8)	93.5	121	2.10
Marine products	241.6	(1.3)	654.4	(1.0)	412.8	270	11.67
Mining	237.5	(1.3)	434.1	(0.7)	196.6	182	6.9
Manufactures	5,881.2	(32.1)	21,906.1	(34.2)	16,024.9	372	15.85
Electricity, gas and water	351.9	(1.9)	894.6	(1.4)	542.7	254	10.91
Construction	1,155.8	(6.3)	4,630.1	(7.2)	3,474.3	400	16.66
Wholesale and retail trading	3,030.7	(16.5)	10,974.3	(17.1)	7,,943.6	362	15.36
Transport and communication	1,345.4	(7.3)	3,947.3	(6.1)	2,601.9	293	12.69
Finance and insurance	832.6	(4.5)	3,377.2	(5.3)	2,544.6	405	16.82
Housing and land	753.9	(4.1)	3,176.3	(5.0)	2,422.4	421	17.32
Services	1,950.0	(10.6)	8,327.9	(13.0)	6,377.9	427	17.50
Public administration	606.9	(3.3)	2,295.6	(3.5)	1,688.7	378	15.92
Adjustments							
Total	17,795.1	100.0	61,976.4	100.0	44,181.3	348	14.87

Source: Economic Planning Agency (EPA), Government of Japan.

for industry groups based on Standard Industrial Classification (SIC)[2]. Table 5 shows such classification on the basis of Total Product (gross output without deduction of inputs) while Table 6 shows the classification based on Net Product (in both cases at current market prices). This paper purports to study the growth of manufacturing companies in Japan, listed with any of the stock exchanges, during 1961 to 1970.

The census of manufacturing industry undertaken once every three years by the Ministry of International Trade and Industry (MITI) contains a wealth of data. However, the unit for the census purpose is a factory or establishment. A very large number of firms have numerous separate factories/establishments. It is not possible, therefore, to correlate the growth of an industry with the growth of several firms comprised therein. An attempt is made in this paper to study the growth of firms *vis-a-vis* the industry in which these are engaged.

II

A significant industrial growth presupposes the existence of well-developed companies and an active capital market. Generally, every large company will have its stock (shares) listed on a stock exchange — exceptions being either subsidiary companies, or joint-venture companies in which shares are held by two or more companies. Industrial activity carried on through the agency of companies varies directly in proportion to the stage of economic development. Consequently the output of industrial units owned by individuals or non-incorporated enterprises becomes a diminishing proportion of total industrial production. Another significant feature is that, as the economy grows, big companies become bigger — sometimes absolutely and at the expense of smaller companies, but more often relatively to the growth of smaller firms. The various factors which favour the growth of large companies are a commonplace of economic literature.

The criteria for measuring the growth of the entire economy are now clear, but not so the criteria for adjudicating the growth of individual firms/enterprises. The FTC study, ranking 100 biggest companies, has adopted the basis of paid-in capital. In companies which have been established for some time, various reserves (and other retained earnings) would add up to a substantial amount and are therefore a significant proportion of the shareholders' equity. For this reasons net worth (capital + reserves) would be a better yardstick — both for any ranking *inter se*, for determining relative growth.

In contrast to earlier periods, industrial growth since the 1950s has been financed largely with borrowed funds. This has been so not only in the case of German and Japanese industries which are based, on institutional finance;[3] even in the United States only 7 per cent of the fixed capital expenditure between 1948 and 1960 was met by issue of fresh equity capital. In case of Japan, it is well known that industrial enterprises have been dependent to an even greater extent than formerly on bank finance for expansion.

The financing of the growth of the listed manufacturing companies, during this period, is studied in a separate paper. For the purpose of this paper, it would suffice to say that total funds employed (total assets/total capital employed) may provide as significant a criterion as net worth/shareholders' equity.

Another criterion, more directly related to the growth of GNP, is the value of output. It can be worked out on basis of either total production or net product — to correspond, respectively, with Total Product or Net

TABLE 3 : RISE IN WHOLESALE PRICES IN SELECTED COUNTRIES, 1961-70

	Wholesale Price Index 1970 (1960=100)	Average Rise Per Year
France	135.0	3.0
Italy	129.3	2.6
Japan	113.7	1.3
UK	135.6	3.1
US	116.3	1.5
West Germany	121.6	2.0

TABLE 4 : GROWTH OF GNP IN SELECTED COUNTRIES, 1961-70

	Growth of GNP at Current Prices (Per Cent)	Growth of GNP at Constant Prices (Per Cent)
France	10.5	5.9
Italy	10.0	5.4
Japan	15.2	10.6
UK	6.9	2.7
US	7.1	4.2
West Germany	8.2	4.8

TABLE 5 : MANUFACTURES—TOTAL PRODUCT ORIGIN BY INDUSTRY

(In billion yen, at current prices)

	1961		1970		Increase 1961-1970		Yearly Average Growth Rate (Per Cent)
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	
Food products	2,326.9	(11.1)	7,712.3	(10.4)	5,383.4	331	14.22
Textile products	2,005.3	(9.5)	4,669.9	(6.3)	2,664.6	232	9.85
Pulp and paper	733.1	(3.5)	2,351.0	(3.2)	1,617.9	320	13.88
Chemicals	1,885.4	(9.0)	5,926.7	(8.0)	4,041.3	314	13.55
Coal and oil products	517.2	(2.5)	2,189.0	(2.9)	1,671.8	423	17.37
Glass and ceramic products	705.5	(3.4)	2,598.9	(3.5)	1,893.4	368	15.57
Primary metal	3,189.4	(15.2)	9,956.8	(13.4)	6,767.4	312	13.47
Metal products	8,863.4	(4.1)	3,983.5	(5.3)	3,120.1	461	18.40
General machinery	1,882.5	(9.0)	7,326.4	(9.8)	5,443.9	389	16.28
Electrical machinery	1,868.3	(8.9)	7,740.4	(10.4)	5,872.1	414	17.10
Transportation machinery	1,795.8	(8.6)	7,769.8	(10.4)	5,974.0	432	17.63
Precision equipment	241.5	(1.2)	964.5	(1.3)	723.0	399	16.62
Others	2,983.8	(14.2)	11,232.6	(15.1)	8,248.8	376	15.85
Total	20,998.1	100.0	74,421.8	100.0	55,423.7	354	15.08

Source : Economic Planning Agency (EPA), Government of Japan.

Domestic Product (value added basis) in National Income Accounts. The problems involved in adjusting the production of a company to conform with the Net Product in National Income Accounts are complicated; hence, as an easier substitute — total sales — has been adopted as the basis. On the assumption that inventories (semi-finished and finished products) are roughly of the same magnitude at the beginning and close of the period, the value of sales may well be taken as the value of output produced by an enterprise. However, this assumption about inventories is far from correct[4] because, with larger sales, inventories would also become significantly larger over a period of a few years. However, inventories have in the long run a more or less stable ratio to sales, and if comparison is made on the basis of the ratio, adoption of sales rather than output as the criterion would not materially affect results.

III

The principal stock exchanges in Japan are Tokyo and Osaka. The other stock exchanges are at Nagoya, Kyoto, Fukuoka, Sapporo, Hiroshima and Niigata. Large companies are generally publicly owned, and their shares are listed with one or more of the stock exchanges. As of December 1970, the total number of companies listed with the stock exchanges exceeded 1,500.

Every listed company is given by the stock exchange a four digit numerical code number based on its main field of activity. Though this code is different from the four digit SIC, the industrial groupings under the SIC and stock exchange code are generally similar.

However the groups 'Primary Metal' and 'Metal Products' in SIC are combined and divided into two groups on a different basis in the stock exchange code. The stock exchange groups are termed 'Iron and Steel' and 'Non-ferrous Metals'. Both groups comprise companies engaged in manufacture of primary metals and metal products (ferrous and non-ferrous, respectively). The companies covered by this study bear stock exchange code numbers, 1801 to 7999. The total number of these companies as of 1970 was 1,125.

According to a study by the Japanese Fair Trade Commission[5] the total number of companies in Japan as of July 1971 was 825,605. For the same year, the Statistical Survey of Incorporated Enterprises, published every quarter by the Ministry of Finance, gives 343,000 as the number of companies with paid-up capital exceeding yen 2 million. (Thus, it is clear that the remaining 482,000 companies have paid-up capital each of less than yen 2 million.) About 30 per cent (252,693) of the total number of companies are classified in the FTC study as 'manufacturing companies'. The FTC Study gives a list of the biggest 100 manufacturing companies, ranked on the basis of their paid-up capital. These 100 companies have 2,544 subsidiaries. In July 1971, the biggest 100 manufacturing companies and their subsidiaries accounted for about 48 per cent of the total paid-up capital and 40 per cent of the total assets of the 252,693 manufacturing companies. The biggest 100 companies, ranked by FTC, are all listed companies and include 2 companies in the Printing Industry and 3 in the Petroleum Processing Industry. These two industries have been excluded from the scope of manufacturing industry in this study, though the Construction Industry is included (despite the fact that National Income Accounts show it separately from manufacturing industry).

Of the 1,125 listed companies classified as manufacturing companies, it has not been possible to obtain data relating to 124 companies for 1960-61; this is because in many cases these were listed for the first time after 1961.

A large number of companies in Japan adopt the half-year for closing their financial accounts. Of the 1,001 listed companies covered by this study, 693 companies closed accounts half-yearly (of which about 400 companies closed their accounts in September and March). The remaining companies closed their accounts yearly; of these about 35 per cent had their year ending on March 31.

In the present analysis, growth during 10 years is considered. The period 1961-1970 was chosen because 1961 was the first year of the income-doubling plan enunciated by Ikeda who was then Prime Minister of Japan. India's Third Five-Year Plan also commenced from 1961, and adoption of a common base year would facilitate comparative study. In case of companies which close their accounts on March 31, the year (or 2 half years) ending March 31, 1971, was (were) taken as termination point; the starting point was 10th previous year. In case of companies which closed their accounts on a date other than March 31, generally the period which covered the

TABLE 6 : MANUFACTURES NET DOMESTIC PRODUCT ORIGIN BY INDUSTRY

(In billion yen, at current prices)

	1961		1970		Increase 1961-1970		Yearly Average Growth Rate (Per Cent)
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	
Food products	683.6	(11.6)	2,195.1	(10.0)	1,511.5	321	13.83
Textile products	438.1	(7.4)	1,283.5	(5.9)	845.4	293	12.69
Pulp and paper	149.6	(2.5)	512.5	(2.3)	362.9	342	14.64
Chemicals	511.2	(8.7)	1,939.7	(8.9)	1,428.5	379	15.95
Coal and oil products	214.9	(3.7)	794.2	(3.6)	579.3	369	15.61
Glass and ceramic products	237.7	(4.0)	932.9	(4.3)	695.2	392	16.39
Primary metal	622.3	(10.6)	1,920.2	(8.8)	1,297.9	308	13.31
Metal products	303.8	(5.2)	1,253.3	(7.0)	949.5	412	17.04
General machinery	616.1	(10.5)	2,588.7	(11.8)	1,972.6	420	17.29
Electrical machinery	606.4	(10.3)	2,325.5	(10.6)	1,719.1	383	16.09
Transportation machinery	448.2	(7.6)	1,888.6	(8.6)	1,440.4	421	17.30
Precision equipment	85.3	(1.5)	335.4	(1.5)	250.1	393	16.42
Others	964.0	(16.9)	3,664.5	(16.7)	2,700.5	380	15.99
Total	5,881.2	100.0	21,906.1	100.0	16,024.9	372	15.85

Source : Economic Planning Agency (EPA), Government of Japan.

major portion of the calendar year 1970 was taken as the terminating point, and (correspondingly) the tenth previous year as the starting point. In case of about 87 per cent companies, it has been possible to obtain exactly 10 years' data. In case of the remaining companies, the period covered has varied from nine and a half years to a little over 10 years. These slight variations in the period covered would not, however, materially affect the comparability of the data as a whole.

The principal source for the data[6] used in the present study has been Nikkei Kaishanenken (Financial Yearbook of Companies) published yearly by Nihon Keizai Shimbun (Japan Economic Journal). Other sources utilised for the data are : Yearbook published by Yamaichi Securities, Diamond's Yearbooks, and in a few cases Yuka Shoken Hokokusho (a statutory report filed with the Ministry of Finance by all large listed companies). Daiwa Securities also kindly made available data from their data file. Nikkei Kaishanenken of 1972 contains financial data for 1970-71 which is, for about 80 per cent companies, reproduced from their computer tape, and is thus in a standardised form. For the base year 1961, the data in Nikkei Kaishanenken had to be processed to make it comparable.[7]

Another point regarding the data analysed herein may also be noted. Regulations governing the Profit and Loss Account and Balance Sheet were revised by the Ministry of Finance in 1964. Until then, it was common practice to show, e g, fixed assets at gross valuation with relative depreciation appearing as a liability, or the amount of Bills discounted on both (Assets and Liabilities) sides. It was also a usual practice, to show under the heading of net worth, the amount of profit for the period without deducting therefrom the relative tax provision/liability. (Necessary adjustments have been made to the 1961 data to bring it on par with current practice.)

The data analysed are based on the companies' published accounts for the years, 1961 and 1970. Hence the time series is at current prices. It might have been feasible to deflate these to constant prices, but it is not usual to use a deflator for comparison of company finances. Possibly comparison with National Income Accounts would have been more meaningful had a deflator been used. However, no such effort has been made in this paper, *inter alia* because use of a single deflator for wide-ranging products may produce other distortions while improving comparability in macro terms.

Another problem in regard to comparability of data is the effect of mergers. In common with the developments in other advanced economies, Japanese manufacturing industry has been undergoing major structural changes. The Government of Japan has been actively assisting modernisation of enterprises by extending guidance, technical advice, and provision of liberal finance on specially advantageous terms. More significant has been the official encouragement to — and in cases such as automobile manufacturing or shipping companies, insistence on — mergers of companies to form bigger units. Growth by mergers has strengthened the tendency of big enterprises to grow into gigantic units. Treatment of the merged companies in a comparative time study poses a problem. The general approach in Japan has been not to deflate the growth of the merged company by comparing the two (or more) pre-merger companies as one unit. This approach is based on the logic that merger, or acquisition, is also a form of growth. Though normally this logic would be unassailable, there may be special cases which justify a different approach. The mergers of Yawata Steel Corporation and Fuji Steel Corporation into Nippon Steel Corporation, Mitsui Chemicals and Toyo Toatsu Chemicals into Mitsui Toatsu Chemicals, Nippon Rayon and Toyo Boseki into Unitika, are examples of two more or less equal partners merging into one very big entity. Between 1961 and 1970, there have been about 60 mergers, in which the listed companies in the manufacturing sector were involved and in which shares of the merged company issued to the shareholders of the merging company exceeded yen 100 millions each. One may devise a formula to deflate the growth of the merged companies during the period 1961-1970, possibly on the basis of the period for which assets of the merging company were used in the business of the merged company. However, *prima facie* it appears that the proposed deflator would not significantly affect the average rate of growth. The merger of Nippon Steel Corporation, for example, took place just two years before close of the 10 years' period (1961-1970) covered by this study; a deflator adopted on the basis may not yield a result materially different from the result obtained without a deflator.

IV

Table 7 shows the industrywise output of 1,001 listed companies (grouped according to SIC) and the output of all the sectors of the economy for the respective industry group (in National Income Accounts). The latter two groups, *viz*, Metal Products and Others, contain a much larger proportion of output, outside the sector represented by the listed companies. A reference has been made earlier to differences in groupings in respect of Primary Metal and Metal Products. Other differences in groupings probably account for the output accounted under the residuary grouping 'Others' in National Income Accounts being larger.

TABLE 7 : LISTED COMPANIES—SHARE IN NATIONAL OUTPUT

(in billion yen)

	1961			1970			Growth Index (1961 = 100)	
	Total Domestic Product (TDP) Amount	Listed Companies Sales		Total Domestic Product (TDP) Amount	Listed Companies Sales		Total Domestic Product	Listed Companies Total Sales
		Amount	Per Cent of TDP		Amount	Per Cent of TDP		
(1) Food products	2,326.9	926.6	39.8	7,712.3	2,620.5	33.97	331	282
(2) Textiles	2,005.3	889.4	44.3	4,669.9	2,687.2	57.5	232	302
(3) Pulp and paper	733.1	292.7	39.9	2,351.0	914.4	38.8	320	312
(4) Chemicals including rubber	1,885.4	1,187.4	62.9	5,926.7	4,198.5	70.8	314	657
(5) Glass and ceramics	705.5	314.8	44.6	2,598.9	942.7	36.2	368	299
(6) * Primary metal (iron and steel) and non-ferrous metals	3,189.4	1,652.7	51.8	9,956.8	6,288.6	63.2	312	385
(7) * Metal products	863.4	106.9	12.3	3,983.5	333.2	8.4	461	311
* Combined group	4,052.8	1,759.6	43.4	13,940.3	6,621.8	47.5	343	379
(8) Machinery	1,882.0	551.5	29.3	7,326.4	2,164.3	29.5	389	392
(9) Electrical machinery	1,868.3	1,312.3	70.2	7,740.4	5,172.9	66.8	414	394
(10) Transportation machinery	1,795.8	1,128.8	62.8	7,769.8	5,816.7	74.8	432	515
(11) Precision machinery	241.5	113.3	46.9	964.5	521.8	54.1	399	453
(12) Others	2,983.8	81.3	2.72	11,233.6	320.6	28.5	376	394
Total manufacturing industries	20,997.9	8,519.2	40.5	74,421.8	31,981.4	42.97	354	375
Construction	4,302.4	749.1	17.4	16,516.0	3,383.9	30.1	383	451

* Please refer to text.

Source : EPA

Growth of output of listed companies does not follow the pattern of growth of output of respective industry groups in National Income Accounts. In case of food products, pulp and paper, glass and ceramics, metal products and general machinery, the growth of output of listed companies during the decade 1961-1970 has been slower. In some of these, peak growth was achieved before 1960 and, because of a bigger base, their subsequent growth has been comparatively slower. Another plausible reason may be that the listed companies manufacture basic products in their respective fields, whereas the small enterprises (mainly non-incorporated sector) cater to the refined products range. Economic progress would normally result in greater demand for more refined, and hence costlier, products. Thus, in the paper industry, the listed companies produce writing, printing, wrapping or coated papers. However, paper products for use by the final consumer are made mainly by smaller companies or non-incorporated enterprises. Naturally, the growth rate of this sector appears to have been higher. The glass, cement, ceramic products, and metal products industries are more or less on par with the paper industry. In case of general machinery industry, however, there is probably another explanation. The machinery industry is now so organised that the bigger companies are becoming assemblers of plant, while manufacture of components for final assembly is being increasingly undertaken in smaller enterprises. This accounts for the greater development and growth of the small-scale sector.

In these four groups, the output of the listed companies is a small proportion (about one-third) of the total output. In other industry groups, *viz*, chemicals, transportation machinery, electrical machinery, textiles, and precision machinery, the output of listed companies is a much larger proportion of the total output. The rate of growth is also considerably higher than that of the respective group in National Income Accounts. This suggests that the growth of the smaller enterprises in these industries has been slower. Two circumstances probably account for this. First, technological developments in these industries are making it increasingly necessary for production units to be larger and also more integrated. Secondly, products of these industries reach the consumer mostly without any significant processing by intermediary small-scale enterprises. Until recently, the textiles industry would not have been included in this category. However, the development of man-made chemical and synthetic fibres has brought about a transformation of the textile industry in less than two decades. Production and processing of these fibres is done by large-scale units and where the manufacture of these into end-products is not done directly by these units constitutes a small proportion of the total output of the industries group.

V

Changes in the composition of output of manufactures may be seen in Table 8. A few industry groups have achieved better growth than the average growth of manufacturing industry. Accordingly, the output of general machinery, electrical machinery, and transportation machinery industries, in 1970 formed a larger proportion of the total output of manufactures in National Income Accounts. However, all industrial groups have registered increases in their output. In no group has the output been stagnant: the growth has been a little slower in the case of Food Products, Textiles, Pulp and Paper, Chemicals, and Glass and Ceramics industries.

Two factors appear relevant in this connection. One is that the industrial

TABLE 8 : GROWTH OF INDUSTRIES, 1961-1970

(in million yen)

Industry Group	No of Listed Companies	Sales		Growth Index (1961=100)	Total Assets		Growth Index (1961=100)	Tangible Fixed Assets (Net)		Growth Index (1961=100)
		1961	1970		1961	1970		1961	1970	
Food	82	926,677	2,620,528	282	555,033	1,493,893	269	209,121	532,976	492
Textiles	80	889,411	2,687,254	302	884,761	2,665,532	269	327,700	798,080	243
Pulp and paper	32	292,708	914,339	312	413,810	1,102,761	266	207,942	524,327	329
Chemicals	151	1,051,709	3,792,171	360	1,327,121	4,743,796	357	550,385	1,696,762	308
Rubber products	19	136,733	406,151	297	126,504	404,042	319	40,236	145,695	362
Glass and ceramics	58	314,816	942,671	299	431,094	1,175,306	271	188,562	451,989	239
Iron and steel	65	1,154,752	4,453,757	385	1,530,109	6,227,263	407	682,861	3,124,657	457
Non-ferrous metals	42	497,961	1,834,916	368	568,062	1,887,503	332	182,339	554,461	314
Metal products	30	106,969	333,210	311	114,689	325,802	284	287,81	101,463	352
General machinery and equipment	134	552,737	2,169,505	392	593,113	2,537,548	427	140,390	518,306	369
Electrical equipment	112	1,312,357	5,172,944	394	1,510,381	5,203,455	344	371,368	956,447	257
Transportation equipment	76	1,133,959	5,826,825	513	1,215,628	7,057,590	580	285,520	1,462,746	512
Precision equipment	31	114,969	527,417	458	103,737	434,103	418	273,96	80,475	293
Miscellaneous industry	21	81,368	320,621	394	51,926	228,306	439	12,225	57,553	470
Construction	59	749,087	3,383,879	451	710,204	3,201,771	450	95,010	3,133,37	329
Grand total	1001	9,316,213	35,386,188	379	10,136,172	38,688,671	381	3,349,836	11,319,274	334

grouping adopted (2 digit SIC) is very broad and contains many sub-groups. Because the classification is broad, it does not separately account for new products or old ones which newly become significant in consumer expenditure. The continued growth of the textile industry is accounted for by this circumstance. New chemical and synthetic fibres have become prominent in the field of clothing apparel, partly displacing natural fibres (cotton, wool, etc) but more usually augmenting the range of consumable articles. This pattern is evident in practically the entire range of consumer expenditure. The other reason is that the propensity to consume does not increase in proportion to higher real incomes. Because of larger income, some of the items — say of the food products group — which are now bought are higher priced (or the share of this group in the aggregate expenditure is higher). Hence, in monetary terms, output continues to increase absolutely though growth relatively to other industries may be less.

The crux of industrial development probably lies in anticipating the growth of, and changes in, consumer demand. Demand has to be fostered and stimulated, while it is being continuously reshaped; this may be because of changes in fashion or ideas but more usually it is because of development of new products based on recent innovations. To meet this situation, the strategy for industrial growth has to meet a plurality of objectives. In some cases, resources are withdrawn from existing products, demand for which may be stagnating or even declining. It involves also a modification of existing equipment or processes to create modified products. Last but not least is the establishment of entire new industries for meeting the demand for new products. The phenomenal growth of the Japanese economy is based largely on its positive response to this dynamic of development.

VI

Analysis of the growth in the past decade in the context of changes in output or structure of demand would require a study of the various groupings in greater depth. For this purpose, the industry groupings adopted in the above classification (based on 2 digit SIC) are further classified into distinctive sub-groups on the basis of principal products (4 digit SIC). However, the various companies listed (with a 4 digit code related to different products) do not in many cases produce those products exclusively. The products' range of a large number of companies covers a few product groups. In case of the largest companies, it encompasses main industry groupings or extends to two or more industry groups. Thus a few companies listed under the textiles group have products classified in the chemical industries' groups. Rather interestingly, producers of aluminium metal are, with one exception, companies which are classified under the chemical industry. In most of the product groups, the largest companies are grouped under a general range. In case of 26 companies, the principal products are now in an industry group which is different from the code originally allotted to them. Accordingly, in Tables 7 and 8 these companies are shown in the industry group related to their products and not related to their Stock Exchange Code.

Because of such a diversified pattern of production, any conclusion that could be drawn from the data in the Tables would necessarily be in general terms. If all companies grouped under one product group show a uniform rate of growth, a general inference regarding the growth of that branch of industry may be valid. However, if there are significant variations in the growth of companies classified under a particular product group, it may be difficult to say whether these variations are due to innate differences in efficiency or different product-mix of companies showing better growth record. With all these limitations, significant trends can be discerned from the analysis in Table 8.

VII

Some of the salient features of the analysis are considered below.

(1) Food Products :

Index of growth : 1970=282

Product groups which have done well are meat products, bakeries, milk and milk products, feedstuffs, and the residuary grouping (other food products) Better growth record of these groups reflects mainly changes in the food habits but it also reflects increasing affluence. Groups of conventional food products have a poor record of growth. The case of the sugar industry is especially noteworthy. There are 12 companies in this group of which 9 have incurred substantial loss and of the 3 companies which have made profits, 2 companies have made only nominal profits. Despite this, the companies in the sugar industry have not lagged behind the other groups in expanding total assets and tangible fixed assets.

(2) Textile Industry :

Index of growth: 1970=302

Groups which have done better are: knitting, silk textiles, and synthetic and chemical fibre manufactures. The last group comprising the 6 biggest firms accounts for half the size of textile industry, and therefore its achievement pushes up the average growth of the industry. Companies making conventional fabrics out of wool, cotton. and other natural fibres, appear to have been losing ground.

(3) Pulp and Paper Industry :

Index of growth: 1970=312

A high level of growth is probably accounted for by the good growth achieved by the bigger companies in this group. Paper products group (2 companies) has the highest rate of growth.

(4) Chemicals and Rubber Products:

Index of growth: 1970=360

Products-wise groups which have grown faster are ink manufacture, cosmetics, petrochemicals, agricultural chemicals, photo-chemicals, and industrial gases. However, these groups have each a small number of companies. Two groups with a large number of companies are plastics manufactures and pharmaceuticals. Both these have expanded considerably. Product groups which have a record of especially poor growth are chemical fertilisers, soda, and other organic products. Stagnation of the chemical fertiliser group is significant in view of the importance attached to its growth in India.

(5) Rubber Industry:

Index of growth: 1970=297

The industrial products group has the highest rate of growth. It is significant that the tyres and tubes group (exclusive of the biggest companies grouped under 'General Range') has the lowest growth rate, and 2 of the 3 firms have made losses for this period.

(6) Glass and Ceramics :

Index of growth: 1970=299

Highest growth is achieved by the sanitaryware group, followed by glass industry and chinaware (a single company, the renowned Noritake). The cement industry has, during this period, grown at a slower pace because of the large expansion completed prior to this period. The cement products group has done better.

(7) Iron and Steel :

Index of growth : 1970 = 385

Integrated steel manufactures group (including Nippon Steel Corporation

TABLE 9: GROWTH AND ECONOMIES OF SCALE

Economies of Scale Positive: Increase of Output More than Proportionate to Increase in Net Tangible Fixed Assets	Economies of Scale Neutral : Increase of Output of the Same Order as Increase in Net Tangible Fixed Assets	Economies of Scale Negative : Increase of Output Less than Proportionate to the Increase in Net Tangible Fixed Assets
	(1) *Food Products*	
Meat products	Confectionery	Bakeries
Milk products	Breweries and distilleries	Foodstuffs
Refrigeration	Sugar mills	Vegetable oils
Other food products		Flour mills
	(2) *Textiles*	
Chemical fibres and cotton	Knittings	Silk
*Woollen fabrics	Synthetic and chemical fibres	
*Cotton fabrics	°Processors	
°Other fibres		
	(3) *Pulp and Paper*	
Paper products	Coated and speciality papers	
Pulp makers		
Wrapping papers/ paperboard		
Printing and writing paper		
°Other paper		
	(4) *Chemicals*	
Petrochemicals	Cosmetics	Ink manufacturers
Plastics manufactures	Agricultural chemicals	°Photo chemicals
Industrial gases	Pharmaceuticals	Soda products
General range	Plastic resin manufactures	
°Chloride products	Paints and pigments	
*Chemical fertilisers	Oils and soaps	
	Dyestuffs	
	Other inorganic chemicals	
	°Other organic chemicals	
	(5) *Rubber Products*	
Industrial products		General range
		Tyres and tubes
		Other products
	(6) *Glass and Ceramics*	
°Sanitaryware	Glassware	
Chinaware	Sheet glass	
Firebricks	Other ceramic products	
*Cement products	Insulation products	
Carbon products	Cement	
	(7) *Iron and Steel*	
Special steels	Ferroalloys	°Integrated steel producers
Pipes and tubes	Re-rolling and steel casting	Other steel products
Wires	Other primary steel producers	
*Galvanised sheets	CI foundries	
	(8) *Non-ferrous Metals:*	
°Primary metal	Aluminium fabricators	Aluminium smelter
Refining		
Re-rolling and smelting		
°Wires and cables		
wires		
	(9) *Metal Products*	
°Handtools	Screws, nails etc	°Springs and Wire products
	Bridges and steel frames	*Can Manufactures
		Other metal products

Continued overleaf)

which is the biggest steel producing company in the free enterprise economies) account for 75 per cent of the output of the group. Their range of products is very wide. This growth record is bettered only in the case of ferro manganese and the other ferro alloys group. Growth of other companies with a narrow products range has been considerably slower.

(8) Non-Ferrous Metals:

Index of growth : 1970 = 368

Primary non-ferrous refiners and wires and cables group — both comprising very big companies — account for approximately 40 per cent and 35 per cent output of the industry, respectively. Consequently, the growth record of these two product groups influences the average for the group.

(9) Metal Products :

Index of growth : 1970 = 311

A large number of companies are engaged in bridge work or other structural steel fabrication. Growth of this group has been at the same pace as that of the entire industry. Companies manufacturing small tools and other specialised products show better growth.

(10) General Machinery and Equipment:

Index of growth : 1970 = 392

As there are a large number of companies, efforts have been made to make numerous, distinctive product groups. Twenty-seven companies are in the machine tools group which, however, has a low growth record. The highest growth has been achieved by the makers of construction machinery (in alignment with the growth of the construction industry). The other groups with better than average growth comprise companies classified as general range, chemical plant manufacturers and pumps and compressor manufacturers.

(11) Electrical Equipment :

Index of growth : 1970 = 394

This industry covers two distinctive types of companies :

(1) those which make finished products and

(2) those which make components for finished products made by the first group.

It is difficult because of interconnections to draw an exact line between component makers and finished product makers. The 4 largest firms, comprising the general range group, cover about 38 per cent of the total sales. However, then growth index is only 294. The explanation for this slow growth probably lies in the fact that these companies have many subsidiaries or affiliate companies, and any conclusions about these companies in isolation from their subsidiaries or dependent enterprises would not give a correct picture. The other big group of household equipment products, such as TV sets, transistor radios, tape recorders, turners, etc, accounts for about 33 per cent of the total sales, and its growth is much higher than average. It is to be noted that the 4 companies in the general range also manufacture these products. They also manufacture heavy electrical plant growth of which has been slower, the companies in the electrical plant manufacturing group having an average growth index of 266. There is another important group of 14 companies under communications equipment which accounts for about 12 per cent of total sales and whose index of growth is 548. Some, but not all, the component groups have achieved a very high growth rate.

(12) Transportation Equipment :

Index of growth : 1970 = 530

This comprises many diverse products. Seven companies are in the shipbuilding group and 15 in the automobile manufacturers group, respectively, accounting for about 28 per cent and 60 per cent of the total assets. Many of the remaining companies manufacture automobile components. Unlike the electrical industry, automobile component makers have achieved better than average growth. This industry also includes manufacturers of bicycles and railroad equipment, both of which groups have a poor record of growth.

(13) Precision Equipment:

Index of growth : 1970 = 458

Manufacture of camera and other optical instruments accounts for 40 per cent of the total sales, with an index of growth of 538. Growth rate of the other groups, *viz*, watches and clocks, metres and measuring instruments, has been slighly lower.

(14) Construction :

Index of growth: 1970 = 451

Though companies have been grouped according to the nature of the specialised jobs, the index is approximate and its significance is limited. Growth of the biggest firms which undertake the whole range of jobs has been less than that of smaller speciality firms.

TABLE 9 (CONTINUED)

Economies of Scale Positive : Increase of Output more than Proportionate to Increase in Net Tangible Fixed Assets	Economies of Scale Neutral : Increase of Output of the Same Order as Increase in Net Tangible Fixed Assets	Economies of Scale Negative : Increase of Output Less than Proportionate to the Increase in Net Tangible Fixed Assets
	(10) *General Machinery*	
*Chemical plants °Pumps and compressors *Cranes and conveyors °Bearings Valves *Diesel engines °Machine tools Other machinery	Sewing machines Specialised Machinery Textile machinery Agricultural machinery	Construction machinery General range
	(11) *Electrical Equipment*	
*Amplifiers, switches etc Ferrites Lighting equipment °Condensers, capacitors Household equipment °Rectifiers *Small motors Electrical measuring equipment *Antennas °General range *Electrical plant manufactures	*Scientific instruments °Resistors Other electrical equipment	Special equipment Signals equipment *Batteries
	(12) *Transportation Equipment*	
°Shipbuilding Lights and lamps Auto electricals Engine parts Aircraft parts	Assembly accessories Steering and Braking Engine accessories °Body parts	°Automobile manufactures *Bicycles Railroad equipment Other equipment
	(13) *Precision Equipment*	
Optical instruments °Watches and clocks *Meters °Measuring instruments *Other equipment		

VIII

Lastly, it is proposed to consider, in the context of the high rate of growth achieved by the companies, whether such growth has yielded economies of scale. It is suggested that the ratios of turnover (times) of assets and capital would provide satisfactory criteria for this purpose. The ratios used in Japan are :

Turnover of total funds employed,
Turnover of total assets in operating use,
Turnover of fixed assets,
Turnover of property-net,
Turnover of buildings, machinery, and equipment,
Turnover of shareholders' equity,
Turnover of capital stock,
Turnover of liabilities
Turnover of loans payable

Either of the two ratios — *viz*, turnover of fixed assets in operating use and turnover of tangible fixed assets — would show whether growth has resulted in economies of scale. Because of the difficulties in obtaining precise data regarding deferred charges, construction in progress, and also investments (which in Japan are grouped under fixed assets), it has not been possible to adopt the ratio of fixed assets in operating use.

The analysis below is based, first, on tangible fixed assets, and secondly, on total assets. The ratios are worked out for each product group for 1961 as well as for 1970.

In a growing economy, with no constraints on expansion with a view to achieving economies of scale, it would be normally true that the increase of output is more than commensurate with the increase in capital equipment (tangible fixed assets) or capital employed (total assets). Thus, assuming the ratios of $\frac{\text{Total Sales}}{\text{Net Tangible Fixed Assets}}$ or $\frac{\text{Total Sales}}{\text{Total Assets}}$ for 1961 to be unity the ratios for 1970 should be more than 1. The tabulation on the basis of $\frac{\text{Total Sales}}{\text{Net Tangible Fixed Assets}}$ ratio is made in three columns in Table 9:

(a) Growth in output which has resulted in improvement of the ratio: economy of scale is positive.

(b) Growth of output with no perceptible change in ratio : economy of scale is neutral.

(c) Growth of output with an unfavourable change in ratio: economy of scale is negative.

If the ratio $\frac{\text{Total Sales}}{\text{Total Assets}}$ had been adopted instead, the results may have varied in some cases with some groups changing the placing. These are marked with an asterik.

There are several reasons for economies of scale being negative. Expansion which results in modernisation of production facilities may not lead to increase in output: in some cases, the immediate gain may be improvement in the quality of the product. In other cases, increase in output may be achieved after a time-lag. In other cases, increase of fixed assets may be in the nature of modernisation, which will reduce the cost of production, with a given output, and thus improve the profitability ratio. In the short run, increase in output depends on a firm's share of the market. For all major firms in Japan, the test of success is whether they are able to increase their market share. Simultaneous effort in this direction by leading firms has provided the real impetus to the growth of the economy. Business leaders in Japan realised that, to be competitive even in the domestic market, they must have modern efficient production facilities. And further that to meet the competition of western industrial giants in the international trade, their own units must be comparable in size. This realisation was shared by all; the industry, banking and financial community, as well as the government, all of whom then gave the necessary support in their respective fields. It was a national goal for the attainment of which all interests worked in harmony.

IX

We have considered in this paper the place of listed manufacturing companies in the growth of Japan during 1961-70. This study covers 1,001 companies. These are divided: first, into major industry groups (2 digit SIC); and then, into major products group (4 digit SIC). It is seen that these companies, together, account for between 30 and 75 per cent of the output of the major industry group, and that the growth of output in the listed companies has been more rapid than that in the relative industry group. Industry groups which did not achieve the average growth are mainly companies engaged in the basic consumer goods producing industries which have been long-established. We have also analysed the growth on the basis of the principal product groups, highlighting the products which have attained high rate of growth. In the further analysis of a correlation of the growth in output with the increase in fixed assets, if was seen that, in several product groups, the increase in several product groups, the increase in fixed assets did not result in a matching increase in output.

Notes

1 For international comparison the basis usually adopted is Net Domestic Product. However, assessment of the share in total output, of listed companies (which are the subject of this study) and their contribution to the growth of the economy will be clearer if the basis adopted is Total Product.

2 The SIC in Japan more or less conforms with the SIC recommended by UNESCO for census of manufacturing industry and other statistical purposes.

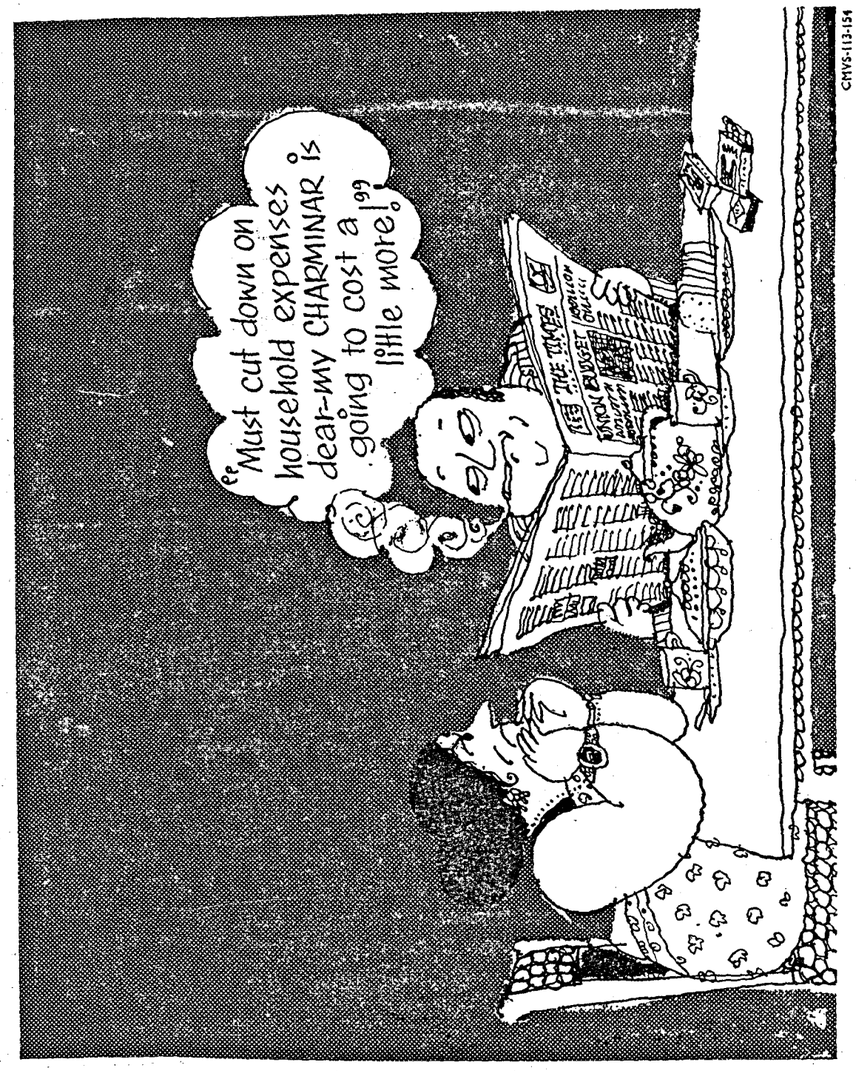
3 Anderson: "Corporate Finance and Fixed Investment", (Harvard 1964).

4 *Output* = value of sales + inventories at close — inventories at the beginning; if inventories at close are consistently larger, output would be larger than the value of sales.

5 "Enterprise Concentration in Japan".

6 The leading Japanese companies are now known all over the world. Investors in Western countries are increasingly buying shares of these companies. Hence a number of Japanese companies now print their Reports and Accounts in English. However, the number of these companies is small and these have started the practice only recently.

7 This was not an easy task because of the language problem. A visitor to Japan realises the great difficulty in obtaining English versions of Japanese publications. In the present study despite considerable care taken in compiling and adapting the data it is possible that small errors may have crept in. These, however, would have minimal significance in the aggregate.



Mea Culpa!

Economic Survey, 1973-74, Government of India, February, 1974; pp 107; Rs 5.

HAVING grossly mismanaged the economy, the government now apparently wishes to disarm its critics by conceding their criticisms. At any rate, this is the impression one gets from the government's latest Economic Survey. Apart from silencing its critics, this tactic, in the government's view, perhaps absolves it of the responsibility for finding effective solutions to the various problems.

According to the Economic Survey, everything has gone wrong with the economy and with the government's policies and programmes. The most serious problem has been the sharp acceleration of the rise in prices. Although the 1973 kharif crop was much better than that of the previous year, "this has not made any visible impact on prices". Nor have the measures adopted by the government. According to the Survey, "that [the government's] policies have not made a significant impact on the price situation is too obvious a fact to need any elaboration".

There have been significant gaps in the agricultural performance. But even more culpable have been the lapses in the management of the food economy, with procurement of wheat and rice falling short of targets by large margins. "It is ... obvious that the active opposition of landed interests and private traders, and a lack of effective administrative arrangements in some states, hampered the procurement effort." Under the mistaken impression that the unsatisfactory progress of procurement was the result of unremunerative procurement prices, these prices were raised substantially. Yet the shortfall in procurement continued. The Economic Survey now concedes that the supposedly low procurement prices may not have been to blame, after all. Thus, "the fact that the shortfall in procurement was relatively less marked in a state like Punjab, which has higher cost of production than many other states, indicates that this factor could not be a sufficient explanation of the shortfall ... how far a higher procurement price will help in achieving the procurement targets for the kharif cereals is yet to be seen."

The government's policies were responsible for the rise in prices of commodities other than foodgrains, too. For instance, in regard to sugar prices, the Economic Survey writes: "On the face of it it is somewhat surprising that higher production of sugar did not stabilise prices. However, it is not difficult to explain this phenomenon since total releases of sugar for sale in the domestic market in the sugar season 1972-73 were lower than in 1971-72." And why, pray, were the releases lower? Could it have had something to do with the Congress party's drive to collect funds for last month's elections in UP, Orissa and elsewhere?

Cause of Stagnation

The Economic Survey brings out how in 1973 there was a decline in output of certain crucial industries like steel and fertilisers. Other important industries like textiles, chemicals, basic metals, cement, mining, petroleum and light electricals were also adversely affected. Only a few industries like heavy electricals, transport equipment, metal products and leather manufactures showed better production. The most important cause of the stagnation of industrial production was the widespread shortage of power. But the power shortage could by no means be entirely blamed on the failure of the monsoon in 1972. This, as the Economic Survey points out, is borne out by the stagnation in electricity generation in thermal power units. Quite clearly, "inadequate maintenance and insufficient attention to operational efficiency in generation and transmission of power" were important factors contributing to the shortage of power.

Industrial investment continues to stagnate. To quote from the Economic Survey, "In 1973-74, public sector investment is unlikely to be higher than in 1972-73. Partial information available for a section of the private corporate sector shows that any increase that might take place in private corporate investment in 1973-74 is unlikely to make up for the stagnation in public sector investment". For the Fourth Plan as a whole, total public sector investment in industries and minerals is estimated at Rs 2,700 crores against the Plan provision of Rs 3,050 crores. "In real terms, the shortfall in public sector investment during the period is much larger because of price rise." There have been substantial shortfalls in crucial sectors like iron and steel, non-ferrous metals, fertilisers and coal. And the growth of employment in industry has been negligible.

The equally glaring failure in fiscal management have been responsible for the vast deficit financing and the consequential increase in money supply. Credit policy in respect of the private sector also went completely out of gear. As the Survey points out, "The fact that, despite a sharp decline in kharif output in 1972 and a deceleration of the growth of industrial production since the close of 1972, bank credit recorded a significant expansion in the early months of 1973 indicates a build up of inventories with the help of bank credit".

On the balance of payments front, while exports have increased, imports have gone up much more. To offset some of the disadvantages faced by the non-traditional exports, a comprehensive framework of incentives operates. However, these incentives have not been uniformly effective. A case in point is export of engineering goods. As the economic Survey points out, "all these measures have not yet been sufficiently effective in imparting the required momentum to our engineering goods".

The Economic Survey's assessment of the prospect for the immediate future is distinctly bleak. "The balance sheet of the economy thus looks distinctly unfavourable, and there is little point in minimising the task that the country faces in the coming year." There are misgivings regarding the achievements on the foodgrains front. The estimate of foodgrains output in 1973-74 (which will largely determine availability in 1974) has been slashed from 115 mn tonnes to 110 mn tonnes. The survey places the 1973 kharif output in the range of 65 to 68 mn tonnes. Rice output may be close to 40.5 mn tonnes, but there has been some shortfall in the production of coarse grains. It is true, as the Survey points out, that the targets at least for summer rice and wheat involve much higher production in a single year than observed in the past. Thus, while the output

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of summer rice fluctuated between 2.7 and 3.1 mn tonnes from 1969-70 to 1972-73, the target for 1973-74 is 4.5 mn tonnes. Likewise the 30 mn tonnes target for wheat represents an increase of 5.1 mn tonnes, which order of increase in a single year has been achieved only in 1967-68 and that too over an exceptionally low base. However, even if these output targets are achieved, "output in most cases in 1973-74 may not be significantly different from the corresponding output in 1970-71". The Survey also admits that "recently ... while the growth of productivity in the case of wheat has slackened, there has correspondingly been no acceleration in the growth of productivity in the case of other foodgrains".

On the industrial front too the prospects for 1974 are uncertain. A significant rise in industrial production will be conditional upon increases in steel, coal and power output and the overcoming of the rot that has set in in the railways. Equally important, however, is the need to step up investment in a number of basic and capital goods industries. Of this the Economic Survey makes no mention.

In regard to the price situation, the Survey points out that there is no alternative to stepping up procurement of foodgrains — and successive increases in procurement prices offer no short cut to achieving this objective. As the Survey puts it, "it has to be recognised that, while producers have to be offered remunerative prices, a continued escalation of procurement prices will either lead to a massive increase in the burden of food subsidies or, else, to a level of issue prices inconsistent with the objectives of providing foodgrains to the more vulnerable sections of society at reasonably stable prices". Referring to some of the cash crops, the Survey says, "in respect of raw jute and raw cotton, the procurement activities of the State agencies are designed to stabilise prices. But the objective of ensuring stable prices does not imply that prices in a year of bumper crop have to be stabilised at near peak levels reached under conditions of acute scarcity".

On the budgetary front, the state governments have failed to mobilise additional resources from the agricultural sector. During the Fourth Plan period, there was a decline of Rs 30 crores in the collections from land revenue and agricultural income-tax. The state governments' net losses from irrigation and multi-purpose river schemes also continue to rise. They were Rs 170 crores in 1973-74 (BE) as against Rs 153 crores in 1972-73. The State Electricity Boards too failed to earn even one-half of the rate of return on capital employed of 11 per cent recommended by the Venkataram Committee.

These and many other criticisms of the performance of the economy are contained in the Economic Survey. It remains to be seen whether this official confession of failures is intended to prepare the ground for a break with some of the policies to which the government has been hitherto committed, in words if not in action. In particular, there appears to be a move to soft-pedal the role of the public sector in different spheres of economic activity. State take-over of the wholesale trade in wheat that been virtually given up. Free trade in coarse grains has been reinstated. There is a move to further increase procurement prices on the ground that prices in the open market have gone up. It is ignored that the rise in open market prices has been the result of hoarding and speculation and that to raise procurement prices in step with the open market prices is to defeat the very purpose of procurement and public distribution. In industry, in the name of speeding up the issue of industrial licences, licences have been liberally handed out for all manner of industries and to all and sundry, including the largest industrial groups. Permission to diversify into allied areas has similarly been granted liberally. Illegally built up industrial capacities have been regularised. All this has been done without the slightest concern for Plan priorities.

In any case, when it comes to offering solutions for the problems facing the economy, the Economic Survey fails to see the logic of its own analysis. The Survey considers "control of inflationary pressures" as the foremost task of economic management in 1974-75. Achievement of this objective is seen to be crucially linked to the increased production of wage goods and hence it is emphasised that the highest priority will have to be given to maximising agricultural production. This is to ignore the logic of the Survey's own earlier analysis which showed how higher foodgrains output had failed to influence prices, largely because of the break-down of distribution arrangements. Immediately, therefore, the accent has to be on distribution. However, what the Survey has to say on, for instance, procurement prices in this context sounds very different from its earlier comments on the subject. While the importance of building up buffer stocks is conceded, it is pointed out that "so long as there is a wide gap between the procurement and open market prices, the procurement effort cannot succeed". But how are open market prices to be influenced except through larger procurement and a more viable and widespread public system.

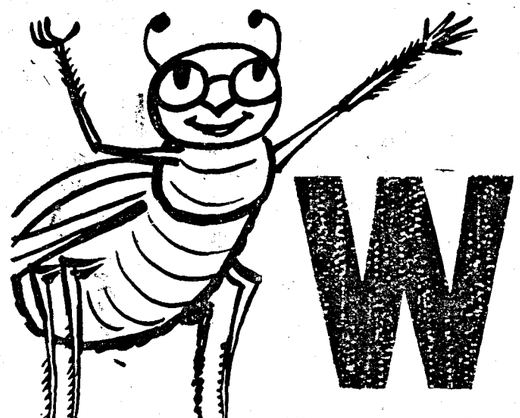
Even on the subject of increasing agricultural production, the Economic Survey can only suggest larger and more effective application of fertilisers. The lessons to be drawn from the field reports that the use of chemical fertilisers with the high-yielding wheat varieties has depleted soil fertility and already adversely affected productivity of wheat are apparently still lost on the government. The Economic Survey fails to see the implications of the phenomenon of declining productivity to which it has itself drawn attention and which should have led it to emphasise the need for building up an adequate public distribution system.

To attack the problem of inflation "at its roots", in addition to increasing the production of foodgrains, according to the Economic Survey, it is necessary "to control more effectively the growth of aggregate demand in the economy". This text-bookish approach to aggregate demand can have very unhappy consequences. The analysis in the Economic Survey itself brings out clearly enough that in the last eight years or so the government has failed to use its enormously increased command over financial resources, acquired through tax and non-tax means, including deficit financing, to give a push to investment. Had the rate of investment been higher during this period many of the crucial shortages which are seen today may not have arisen.

It should have been obvious to the authors of the Survey that there is a vital difference between (1) augmentation of demand in the hands of the general masses as a result of higher and more productive investment and larger employment, and (2) augmentation of demand through vast govern-

ment disbursements for unproductive purposes and through grant of bank credit to private parties for stockpiling of goods in short supply, which accentuates the imbalances in the economy both in the short and the long run.

If the economic development of the last few years have a lesson to offer it is that what is important is not controlling the growth of aggregate demand but altering the distribution of financial outlays in favour of productive investment. This is what the government has failed to do, above all. Despite the very much larger financial resources at the command of the public sector, total investment in the economy, according to the CSO's latest estimate, was Rs 2,640 crores in 1965-66 (at 1960-61 prices) and it remained Rs 2,683 crores in 1970-71. For all its disarming frankness about the state of the economy, the Economic Survey has missed the importance of a sharp increase in the rate of investment, especially in the public sector.



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The Great Migration of 1971

II — Reception

Partha N Mukherji

This is an exploratory study of the evacuees who left East Bengal after the imposition of martial law on March 25, 1971, and sought refuge in India. According to official statistics, by the second week of December 1971 about 6.8 million evacuees had been housed in camps and another 3.1 million were staying with friends and relatives. As many as 827 state camps and 19 Central camps accommodated one of the largest migrant movements in history.

This three-part study concentrates on those who were temporarily settled at the Chandpara and Bokchora camps in the district of 24-Parganas in West Bengal. Part II examines the organisational set-up of the camps, the relations between hosts and guests in and around the camps and the adaptive capacities of the evacuees in their new environment. Part I dealt with the socio-economic background of the evacuees, the events leading to their uprootment and the trek to sanctuary. Part III will look at the migration back to Bangladesh and the manner in which it was achieved.

IN a sense the situation of the refugees of 1971 was unique. A refugee generally carries the connotation of a permanent immigrant who has been forced to leave his country of birth out of fear of extreme persecution and possible death. The country which receives refugees, therefore, is aware of the implications of accepting a non-returnee population. The question of rehabilitation and resettlement becomes either a national problem for the recipient country, as in India[1] and Pakistan in the past, or an international problem for the world community as in the case of post-war European refugees.[2]

In contrast, the Bangladesh migrants of 1971 right from the beginning were clearly and unambiguously defined as a temporary group which would be accorded hospitality by the host country only until such time as they were able to go back to their country of permanent residence with dignity. Hence, the question of their rehabilitation, integration and absorption in India did not arise. It was made abundantly clear that they were to be treated as foreign nationals.[3]

This, therefore, presented a unique situation where the evacuees would receive food, clothing, shelter, medical care, etc., but would not be expected to seek any occupation or engage in any economic activity. In effect, they were reduced to an economically idle and stagnant group, residing in clusters of various sizes (called camps) in identifiable areas. Not only were the evacuees economically isolated, they were also cloistered from political influences and activities to the extent that this was possible. Thus in the administration of relief as a matter of official policy no political party was allowed any role, nor were foreign relief agencies permitted to function at the level of evacuee camps.[4] The evacuees were formally isolated as a group distinct from the surrounding 'external' environment.

It is evident that the evacuees found themselves in a situation which was already defined for them. Adherence to these norms was the condition imposed by the 'hosts' in exchange for which the evacuees received 'hospitality'. For the evacuee, this was the 'price' he had to pay to 'earn' the hospitality of his hosts. Clearly, the sanction involved was the withdrawal of hospitality should a violation of norms occur.

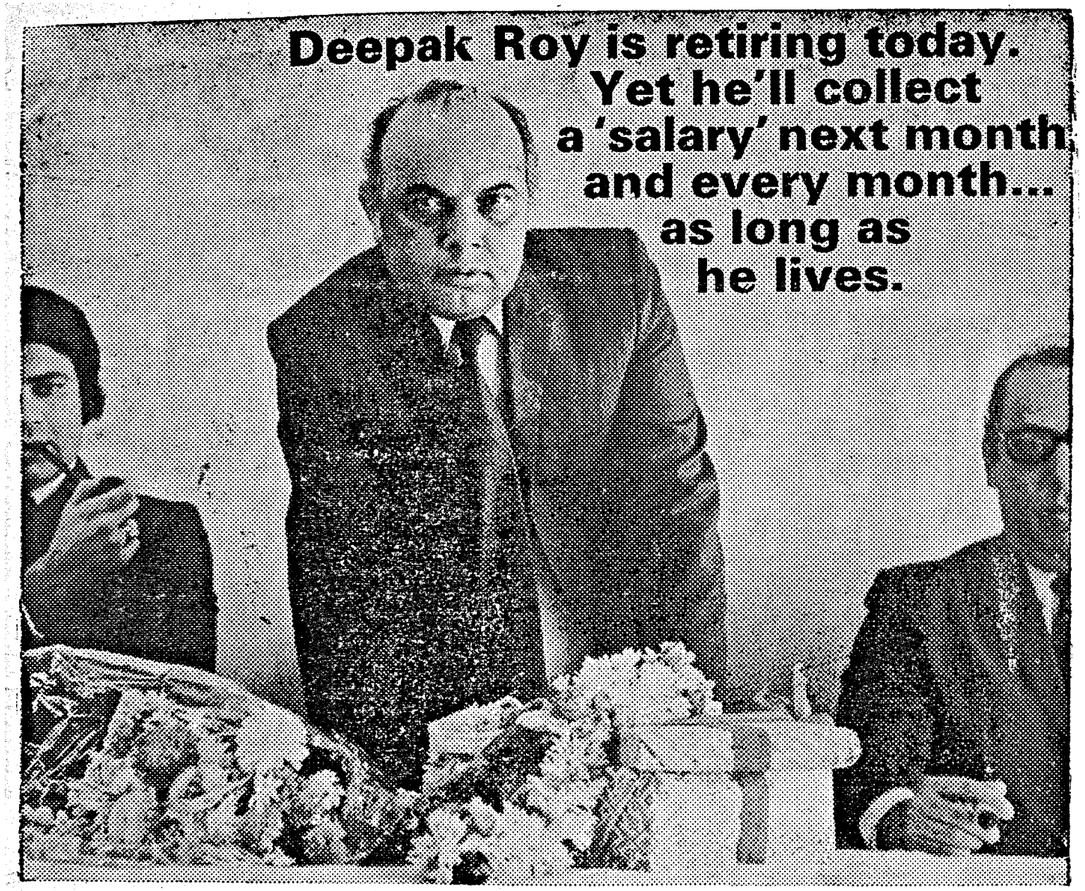
The formal pattern of relationships between the host system and the guests was essentially asymmetrical. The acceptance of the imposed norms was clearly a function of the unequal relationship between the hosts and the guests. The guest's status was peculiar in that he hardly had any rights. But he had a few clearly defined obligations which he had to accept with gratitude and deference.

The reason why the host system imposed such restrictions is easy to discern. It tried to minimise the deleterious impact of an immigrant population of such magnitude on its own system. Struggling to manage its own inner strains, the host system attempted to isolate the new problem rather than allow it to combine with the already existing complex of problems. More specifically, the evacuees were allowed to remain as a non-competitive group in the economy, thus keeping the balance of the labour market undisturbed.

In their own country, the evacuees had been faced with imminent crisis. To them the choice clearly was between a future of uncertainty in a neighbouring country in which they could at least look forward to security of life and a future of certain persecution and possible death in their own country. Apparently the character and direction of political events in East Pakistan was interpreted as a crisis of such magnitude that the instinct of self-preservation decided for them the choice between the two alternatives. This crisis, therefore, was the causal generating factor which led to the massive exodus of nearly 10 million immigrants into India.

Forced into economic sterility and isolated in densely clustered enclosures the immigrants were likely to generate new problems. The questions that naturally arose were: In an environment not altogether alien, to what extent did the formalised structure of norms guide the actual behaviour pattern? What was the nature of the host and the guest systems? What kind of relationships emerged between the two systems?

To answer these questions, I concentrated on examining the organisation of relief and the social conditions in Chandpara Camp Number Two and Bokchora Camp. The former camp was near a town of the same name with some local businesses and offices, including the Development Block Centre, Gram Panchayat (local self-



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government) office, and so on. The latter camp was near Bokchora, about four kilometres from Chandpara. Although containing a few shops, a charitable dispensary and hospital by kindness of the local landlord, Bokchora is in fact a well spread out dispersed village. They both lie on the Jessore Road linking Calcutta and Jessore — Chandpara lying about 10 kms and Bokchora about 14 kms from Bongaon. And both are in the Bongaon sub-division of the district of 24-Parganas.

Chandpara Camp Number Two was a small camp housing a population of 2,041 (755 men, 786 women, 500 children) in 16 large tents and 50 small huts. Bokchora Camp in comparison was relatively large with a population of about 15,000 (4,500 men, 4,500 women, 6,000 children), sheltered in 50 large tents and 500 small huts. Both the camps had tubewell, latrine and garbage disposal facilities. Each of the camps had an improvised clinic where a doctor would come periodically for medical aid.

The Organisation of Relief

The concept of the host system is bound to vary depending upon the different frames of reference within which one examines it. One could conceptualise the entire immigrant population as 'guests' and the total mobilisation of resources by India for the evacuees as the 'host system'. I have, however, chosen to confine myself to the evacuees and their social network extensions in the two camps as representing the 'guests', and all the relevant organisations that had a direct or indirect bearing on the maintenance of the guests as the 'host system'. Four major constituents of the host system can therefore be identified, *viz*, the government and its newly set up camp administration, the voluntary Indian organisations, the voluntary foreign organisations and the social environment surrounding the guest population.

The Bongaon complex of camps was taken over by the Branch Secretariat of the Ministry of Labour and Rehabilitation around September 1971. A fresh cadre of officials and employees drawn mostly from ex-Army officers and servicemen, except for the volunteer-level recruits who were drawn from the native population, formed an almost parallel administration. The role of the camp administration *vis-a-vis* the evacuees was to act as reception, attend to medical preliminaries, provide adequate shelter, administer supply of rations, provide for medical care, arrange for education of children, project the government's viewpoints and efforts for providing relief to them, and finally, to give them protection from unwanted elements.

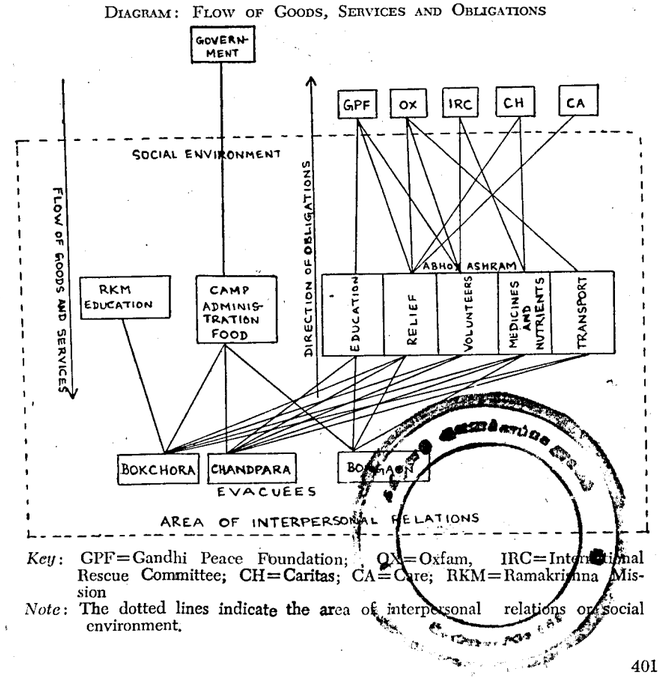
While the government did either take up or intend to take up these roles, it also sought the co-operation of non-sectarian and non-political voluntary organisations to relieve itself wherever possible of some of its functions. During the initial stages, when the government was trying desperately to come to grips with reality, it was the voluntary efforts of these organisations and the native population that sustained the early waves of immigrants. However, at the time of field work (December 1971) the camp administration was working more or less on the formal pattern indicated earlier, except that some of its functions were apportioned to non-sectarian, non-political voluntary organisations.

A number of voluntary organisations figured in the total complex of relief roles. The Abhoy Ashram had taken up practically all the major relief roles in the two camps, barring the supply of rations, which was undertaken by the camp administration, and the children's education in Bokchora, which the Ramakrishna Mission had taken up. The Gandhi Peace Foundation, Oxfam, the International Rescue Committee, Care, Caritas, contributed relief materials and/or services.

The structure of relationships between the host system, comprising a constellation of organisations and the social environment, and the guests, can be seen in the flow Diagram included. The one-way flow of goods and services from various relief organisations to the guests was matched by a reverse-way movement of obligations.

It is important to note how this system of relationships was maintained. It would appear that the 'investment' made by the host system was without expectations of any 'returns'. This is not entirely true. The investment was made in consideration of certain values like humanitarianism and the return came in the form of the intangible non-material reward of universal social approbation from the world community. Furthermore, in the context of international relations, the form of acceptance of the humanitarian role also amounted to a rejection of conditions thrust upon India by its political neighbour. This was manifested in refusing the immigrants the status of co-na-

Diagram: Flow of Goods, Services and Obligations



Key: GPF=Gandhi Peace Foundation; OX=Oxfam, IRC=International Rescue Committee; CH=Caritas; CA=Care; RKM=Ramakrishna Mission

Note: The dotted lines indicate the area of interpersonal relations or social environment.



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tionals and considering them politically as aliens. Therefore, the universal social approbation of the humanitarian role played by India, in effect amounted to an implicit rejection of certain conditions imposed by Pakistan on India. In fact, the form of the humanitarian role had built-in symbols of rejection of the conditions imposed by Pakistan. This rejection in turn had dangerous implications for relations between India and Pakistan.

Presumably it can be worked out that the form of investment in the immigrants involved a definite entrepreneurial risk in expecting favourable political and economic outcomes. The possible alternatives before the host system from which a choice had to be made were as follows:

(1) to give the immigrants the status of co-nationals and rehabilitate them into the Indian social system — an experience not alien to the subcontinent; (2) to grant the immigrants asylum but transfer the responsibility of their maintenance and future rehabilitation to the international community; (3) to take up the responsibility of their security and maintenance with the co-operation of the international community but deny them co-nationality in consideration of prevailing social and economic conditions in the country. In the past, the subcontinent has always favoured the choice of the first alternative for major and minor influxes. It has never shirked its responsibility to the international community nor is it likely that the international community would have been able to take up the problems of such a large population. But, and this is important, in the past such movements of populations large or small, were always a matter of two-way traffic. They had the important characteristic of countervailing forces balancing each other. The last influx was not only one-way, but its magnitude was way out of bounds of permissive limits.

The choice of the first alternative would have several clear implications. (1) This would be more economical as the cost of maintaining a 10 million immigrant population with a likely increase in its strength would be prohibitive. The Government of India was spending at the rate of more than Rs 18.5 million per day.[5] (2) It would have meant accepting a situation thrust upon one country by another. (3) It would leave the country of asylum with less powerful symbols of rejection of the imposed conditions. The choice of the third alternative, therefore, seen in the perspective of the first, had a more compulsive orientation towards an early solution, though at greater risk.

These alternatives do not exhaust all the logical possibilities open to India, though they include all the major ones. India could have refused asylum to the immigrants forcing them to return or not allowing them to cross the political boundary. This would have been in direct contravention of the accepted principle of *non-refoulement* enshrined in the Declaration of Territorial Asylum based on the Declaration of Human Rights, which states that a refugee cannot be returned "in any manner whatsoever to the frontiers of territories where his life or freedom would be threatened on account of his race, religion, or membership of a particular social group or political opinion".[6]

Therefore, it seems clear that the proper enactment of the humanitarian host role not only had structural props in the immediate host-guest interactions, but also involved a whole range of bilateral and multilateral nation-state interactions directed towards the attainment of an explicit goal — namely, the return of the refugees to their homeland.[7]

Inner Tensions in the Host System

Even a cursory perusal of the flow Diagram will indicate that the Abhoy Ashram at the grass roots level voluntary organisation had to play a more-complex role than the other organisations *vis-a-vis* the two camps examined here. Goods and services from several voluntary organisations were funnelled through the Ashram.

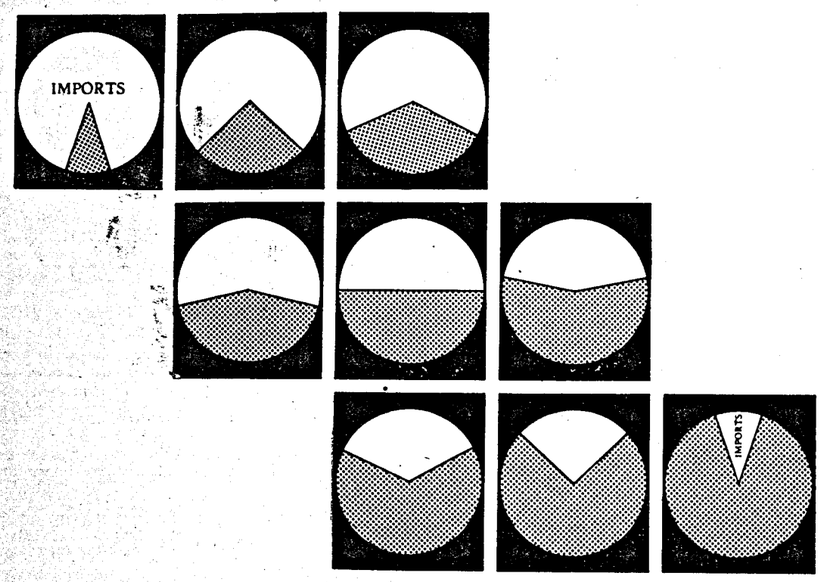
There were two principal social workers who ran this institution in Bongaon. At the instance of the Gandhi Peace Foundation, the Abhoy Ashram volunteered to play an active role in relief operations. Consequently, it became a centre for co-ordinating the activities of the various relief agencies.

The group that constituted the relief team at the Ashram focal point presented a heterogeneous lot with ill-defined and inconsistent role obligations. Thus the Gandhi Peace Foundation volunteer clearly defied the Ashram authorities, claimed allegiance only to his principals and interpreted the hospitality extended to him by the Ashram as his right for the services he was rendering to the evacuees. The Ashram, he claimed, was merely a receiving point for goods to be distributed. It had no clear claim on how the goods were to be distributed. As far as he was concerned, he considered himself independent and autonomous with respect to goods received specifically for the camp he was looking after. The Ashram held the view that since the relief goods were despatched in the name of the Ashram, the Ashram had a right to take a total stock of the situation of all the three camps under its relief jurisdiction and allocate these materials and others according to the intensity of needs in the different camps. This conflict was not resolved during the days I watched them as their guest and in fact it frequently erupted in unpleasant tensions.

The doctors and their medical staff had more clearly defined roles, but on occasions the specificity of their roles created problems. For example, on one occasion the driver belonging to Oxfam reported to his principals that transport had been misused on one or two occasions. This resulted in a unilateral withdrawal of the transport by Oxfam without any enquiry into this allegation and without any explanation, causing the medical and relief services to the two camps to come to an abrupt stop. In such a situation the doctors felt very critical of Oxfam behaviour but declined to report anything in writing either to their principals or to Abhoy Ashram or to Oxfam. On this occasion, I felt compelled to intervene and helped the Ashram take up the matter and protest to Oxfam.

The tensions in the Ashram resolved themselves largely because of the two kinds of leadership. While the Ashram, as a whole, functioned as a task-oriented group, the leadership roles among those working at the two camps were clearly differentiated. For instance, the role performance of the social worker from the Gandhi Peace Foundation could be identified in terms of behaviour and attitudes generally associated with the instrumental leadership of a task leader (e g, in giving suggestions, directives, opinions, taking important decisions and so on). In comparison, the lady who was formally in charge of the Ashram clearly acquired the expressive leadership of the 'sociometric star' (characterised by "expression of emotions, supportive behaviour to others, the desire to please and be liked and a more generalised liking for other members").[8] This is not to say that the latter did not perform any instrumental role, but only that she was better equipped as an expressive leader. On one occasion the Gandhi Peace Foundation volunteer went on fast as a protest against her action in not supplying

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enough blankets for distribution in Bokchora camp. But her expressive leadership controlled the situation with the help of tearful and impassioned appeals and by taking recourse to a counter-fast. It was largely because of the existence of these two types of leadership that an unco-ordinated relief group was able to function with reasonable efficiency in spite of inner contradictions.

The Pattern of Resettlement

The pattern of resettlement of evacuees led to the dispersal of villages in three types of settlements: in camps, outside camps but in independent units, and with friends and relatives. The new formations were not 'transfers' of village communities *en bloc*, nor even 'transfers' of extended kin groups except accidentally. Only the household maintained its unity and identity.[9] In fact, single villages on the other side of the international boundary got fragmented into many parts. The camps thus were formed of several and sometimes many fragmented villages. This is clear from the data presented in Part I of Chandpara camp inmates.

One of the earlier processes amongst the evacuees was to re-establish the network of community ties. As soon as the evacuees got allocated to specific camps, they took the first opportunity to establish communication and contact with kinsmen and acquaintances spread over many camps. It is amazing how within a brief period of 8 to 12 weeks the extant ties of the Chchianobboi Gram region were re-established. Almost all relatives and friends were located within the district of 24-Parganas although they were scattered in at least three camps each in Basirhat, Barasat and Bongaon subdivisions, 12 camps in Gaighata and one camp in Barrackpore sub-divisions. Once the contacts were re-established the network of social ties was re-activated although under vastly changed circumstances.

Thus the *jajmani* relationships became operative as soon as deaths occurred or marriages took place. Each of the scheduled castes seemed to have their own 'Brahmins' or priests. The priests of the Rishis and Namasudras informed me that they were called by their *jajmans* several times from different camps, generally to perform the *shradh* (cremation) ceremony. Occasionally they presided over stray cases of marriage. The customary gifts and fees which they received in the village were greatly reduced in the camp situation, but they performed their duty.

The compounder turned 'doctor' moved in camps which housed his clientele and treated patients. He was also sought sometimes in spite of the clinics. The 'doctor' did not ask for any fees; they gave him anything they could, ranging between nothing at all to about 25 paise or more. They however tried to meet the expense of the medicines which he generally gave them.

Frequent visits of relatives and friends and overnight hospitality extended to them, helped to retain the community structure at the abstract level of inter-personal relations. The restrictions on any kind of economic activity for an able-bodied population, the imbalanced unnutritious diet and the consequent diseases which took an epidemic form, must have had a very demoralising effect on the personalities of the evacuees. And yet no cases of disorganised or mentally imbalanced individuals were reported to the doctor attending the clinics in the two camps. This can be attributed to the mechanism of the revival of the community structure which played a significant tension-management role.

It is also important to note that the void created by a ban on economic activities generally tended to be filled by increased social interaction. Thus time expended in the exchange of goods and services was now expended on an exchange of visits. Such exchanges were facilitated by violations of norms which were overlooked. Thus they could travel free of charge in the trains. Private buses however could not afford to overlook such violations.

The purely non-economic interactions were the first phase of the reactivation of the community structure. Once the visits became a normative pattern of mutuality of expectations and sharing of common experiences, they developed normative sub-structures of economic interactions. Thus if the ration of one camp included potatoes and not pulses whereas a physically distant but socially promixate camp had its ration the other way round, such visits also facilitated an exchange of ration items to vary their stereotype diet. Also, by November, they were being given cash at two rupees per head per week. This enabled some circulation of money and allowed some economic exchanges not only with the external market but also among relatives and friends. Apart from the cash they received as relief, many were able to bring some money across the border, which also circulated in the market.

The political institutions of the erstwhile village communities also became operative. The institution of *matabbars* (or village influentials) and the Union Councils (the grass roots official political institution) also moved from camp to camp where they enquired about their people and their difficulties. The higher status leaders from among these, who usually stayed with relatives or friends in the towns, maintained relationships with the camp administration and other civic authorities, and were able to articulate some of their difficulties to them, with or without results. Although the Union Councils were defunct, they carried some of the status associated with their office, and this helped in articulation between the two formal leadership structures. They were repositories of information, because they were in a position to receive, collate and disseminate information through many channels. One of the pressing problems of the community structure was scarcity of information about other members of the community, about the situation across the border, about their future prospects and so on, and in this the leadership played an important role. It helped to maintain the integrative bonds which kept the community structure well tied.

It will be clear, therefore, that the uprooted population was not in complete disarray as one might have imagined. Along with the transfer of population, the transfer of the rural community structures had also taken place. The re-activation of the community structure essentially took place in terms of its principal normative and political institutions. It lacked one important type of institution, the economic. But this was also discernible in a residual form. The fragmentation of its ecological base and the emergence of new social formations in new settings did not lead either to a disintegration of the rural community structure, nor did the fragmentation make this structure dormant.

New Community Structures

The transfer of community structures and the interactions which gave definition to it in a new context does not imply that new structures did not develop in the camps. The sharing of common experiences of uprootment and the fact of neighbourly placements led to the sharing and solving of common problems. Thus there were problems of sanitation and hygiene, of resolution of conflict among campers, of countering

exploitation by the camp administration, of keeping vigilance in the camp, and so on. These needs threw up a leadership on the pattern of *matabburs* in the village context. They were accepted as the representatives of the camp and decisions *vis-a-vis* the outer environment which affected camp life in general were articulated through them. It is interesting to note that the camp *matabmatabbars* had almost all been *matabbars* in their respective village contexts. The camp population was aware of the norms guiding leader-follower roles. In addition, a group of young men from the camps were trained by the Gandhi Peace Foundation in certain leadership roles involving the maintenance of sanitation in the camps with the co-operation of the camp inmates.

The leadership in the camps was singularly characterised by an absence of factionalism. There was general unanimity and consensus about the decision-making role. However, in the absence of any economic sub-system in any formal or social-institutional sense of the term, the leadership role was limited to a minimal number of areas. These areas could easily be identified. First, quarrels on account of inmates violating hygiene or cleanliness norms were promptly and effectively taken care of. Thus, not infrequently, especially in the earlier stages of camp life, the feces of children defecating in one household unit would surreptitiously be deposited near a neighbouring household unit. In such cases the violator would be identified and made to clean up the mess. This problem improved with the inculcation of new norms and the improvement in sanitary facilities. In this the Gandhi Peace Foundation volunteers recruited from the camps and the *matabbar* leadership of the camps played a useful role.

An important role of the camp leadership was to counter the frequent and often arbitrary use of sanctions by the camp administration. Thus, confiscation of ration cards or partial reduction in the amount of ration for specified periods activated the leadership role. On such occasions the leadership employed emotional appeals — rather than pressure tactics — which took the form of pleadings and apologies to restore the rations. The confiscation of meagre rations for any period of time was a severe blow to the evacuee. Hence the leadership role in this area was most important and valued. Also, the leadership on such occasions arranged for the sharing of rations so that the evacuee under sanction could tide over his period of punishment.

However, it is important to record the sharp cleavage between the volunteer-teachers (also evacuees but not living in the camp) and the inmates of Chandpara camp. There was a general feeling among the camp inmates that these volunteer-teachers were not serious about their teaching role and that the children of the age-group four to 12 were not seriously taught by them although they were being paid by the Gandhi Peace Foundation for this. The undercurrent of tension became manifest when the 'school' was given a transistor radio by the Abhoy Ashram, which was supposed to be in the care of the teachers but which was also supposed to be tuned for the benefit of the entire camp especially for the news and music, etc. The teachers monopolised the radio, played it continuously while their open-air mango-grove classes were supposed to be doing some serious teaching work and took it home with them after school hours (which were about two hours in the morning). This irked the camp and its leadership and they reported the matter to the Abhoy Ashram. The teachers reacted by charging the camp committee of the evacuees with corruption. This led to an unpleasant situation and the teachers became even more indifferent towards their teaching commitments. The Abhoy Ashram investigated the matter and urged the teachers to take their teaching work more seriously, while at the same time they requested the camp committee to be more careful about collecting funds and spending them. During the brief period of my stay, I could observe the sense of superiority which the teachers tried to display in their behaviour and how the camp inmates responded by open ridicule of their superciliousness.

Finally, the leadership of the camp played an important role in surveying and helping to distribute relief material to the camp inmates. Grievances in the matter of receiving relief materials were directed to them and they usually solved them within the constraints of scarce relief materials.

Religious ceremonies were one of the important ways in which the camp inmates felt they could alleviate the drudgery of a static, sterile life. Here the Chandpara camp was better off. It raised small contributions and organised such functions. The leadership played an active role in this. The inmates of the Bokchora camp were less fortunate, at least for a certain period of time, as the Camp Commandant during that period clearly felt that such displays of merriment were not in accord with the miserable status of an evacuee. The evacuee was not only in misery, he should appear to be in misery. Thus Bokchora camp, which was rich in traditional theatrical talents (*jatra*), was considerably subdued in articulating them for fear of the camp authorities.

There were other activities: A few small shops had sprung up in both the camps, providing a skeletal economic institution. At least two marriages had taken place in Chandpara and one in Bokchora. In Bokchora it was reported to be the consummation of the betrothal ceremony which had already taken place before their flight. However, the camp authorities took such a serious view of this act of intransigence that the newly-weds were promptly deprived of their ration for several weeks. In all these marriages, the camp community contributed and participated.

However, it must also be recorded that camp life during the rainy season was one of acute suffering. Many children died. Rain water made inroads into the camps, bringing in floating feces, garbage and filth, exuding the most obnoxious stench. Most of the tents leaked. Many evacuees left the camps to settle on elevated areas near railway tracks and on both sides of the road. Life was utterly disorganised during those two rainy months of June and July. It was only after the rains that camp life once again settled down to some kind of an organised existence. One permanent contribution of the rainy season was the highly infectious skin disease which spared none and which the evacuees carried back home as one of their mementoes.

Thus, through privation and adaptation, the camps acquired the attributes of a community, of 'belongingness' and identification in the sharing of a common state of indefiniteness and uncertainty.

The important questions, which to my mind should guide future research, are: Just as the community structures in East Pakistan were 'transferred' to India without their ecological base, would the community structures of the camp also 'travel' to Bangladesh having lost their ecological base there? What kind of transformations would occur in the pattern of relationships established in India? In other words, would the universe of social interaction of the evacuees back in their natal setting expand to admit the new network of social ties? These are intriguing questions for any social scientist.

Host-Guest Relations

Having discussed the host system and the guests, I shall now discuss the relations between the two. I have already referred earlier to the evolution of infra-structures which deviated from the formally defined norms.

It is important to bear in mind that the Bongaon region has accommodated and integrated a large number of refugees since the time of partition. A fair number of such refugee families are completely rehabilitated and reasonably well-settled. Thus such persons who once were guests now found themselves in the position of hosts, hosting people from the very country they had fled. The region was also one of the politically violent areas, where the institutions of law and order had either become overpoliticised or overwhelmed by political organisations, enough to make them almost ineffective.

When the evacuees started pouring in from the first week of April, the response of the Bongaon community was one of universal sympathy. They organised their reception, arranged for their food, provided for their shelter and so on. But with the overwhelming magnitude of the influx, the government's intervention became imperative. Thereafter, a process was started which attempted to formalise and routinise the settlement of evacuees. Not until around October could the camp administration really come to grips with this colossal problem. Meanwhile a number of voluntary organisations, including the Ramakrishna Mission, Ananda Marg, Milani Sangha, 'etc, performed the role of distribution of rations and other relief materials.

When the government took over the distribution of rations, the volunteers recruited for this specific purpose appear to have been mostly, if not wholly, from Bongaon and adjoining regions of the 24-Parganas district. Experiences in both the camps reveal a uniform pattern of exploitation by such volunteers. The experience of receiving rations short of their quota was universally felt. The confiscation of cards on flimsy pretexts (and also sometimes for genuine reasons) for periods ranging upto several weeks was not an infrequent occurrence, whilst a milder punishment resulted in a reduction of the ration quota for a specified period of time.

Displays of violence and threats of greater violence at times kept the camp inmates in a state akin to terror. Several incidents of violent behaviour were reported, including one in which some camp inmates were so brutally beaten that one of them had to be hospitalised. The alleged crime was their inability to tell the volunteers of the whereabouts of one of their neighbours who was absent from the camp. On one occasion a camp inmate was stabbed and injured. Included in the armoury of some of these violent young men were more sophisticated weapons than daggers, *viz*, bombs and guns. These men were characterised by the camp inmates as *ugrapanthis* or extremists.

There was practically nothing the evacuees could do about controlling such behaviour as the Camp Commandants and their assistants, all ex-Army, preferred to steer clear of violent young men, a species about whom training in military warfare had taught precious little. The prevailing political climate and the asymmetrical relationship in which the guests formally and actually stood *vis-a-vis* the hosts, and the situation of unemployed youth in West Bengal, facilitated the exploitation of the guests.

However, if such a deviant structure characterised the relationship between the camp administration and the guests, this was balanced by compensatory mechanisms of other forms of deviant relationship. Thus the guests were drawn into economic activity because their goods and services were welcomed by various groupings in the society. Thus their services were purchased at a level lower than the market price for agricultural labour. It is true, that this did create some tension between the guests and the host labourers. But the host landlords gave the evacuee labourers security or obtained their services clandestinely. The wage rate dropped down to two rupees per day for the evacuees from 'five rupees. Since this was in effect 'stealing' others' labour, the low wage rate was acceptable. Besides, this was a gain in addition to the social security guaranteed by the host system.

The other major economic activity was fishing and marketing fish. In this sphere of activity the permissiveness was more pronounced as the entire native population stood to gain by it, including the native fishermen. The skill of the Bangladesh fishermen and peasants is infinitely superior to that of their West Bengal counterparts. The variety of fishing equipment in the possession of the guests was far more efficient than those of the natives, including such implements as *achchra kala, jall, dudi*, etc. Nearly 500-600 persons, men, women and children, went fishing. They caught all varieties, and especially small fish, and sold them reasonably cheap at five or six rupees per kilogram. The local fishermen extracted a certain tax on each fishing implement. The native population welcomed this as it had never had such abundance of fish, and in so many varieties, in the market.

The interest of the local small traders in the camp was also evident. The traders or their agents would come to buy pulses and exchange better quality rice for broken Russian rice which the evacuees usually found unpalatable. Also, the foodgrains which found their way into the market from distribution centres brought down the prices of foodgrains in the Bongaon and Chandpara markets.

In addition to these major economic activities, the different occupational evacuee sub-groups engaged in limited economic activities like weaving fishing nets and selling them. In the words of an articulate camp *matabbar*, "Everyone manages to find some means of earning a little bit".

These activities of the guests had started taking place on a scale whose impact on the economy and the labour market was becoming potentially explosive. It is clear that continual adherence to the legal norms set to guide the behaviour pattern of so large a population as 10 million was becoming well-nigh impossible with the passage of time. A decision favouring their rehabilitation and absorption or their return to Bangladesh was becoming imperative.

Notes

1 Although India and Pakistan have the unenviable record of experiencing the largest transfers of population with the partition of the subcontinent, sociological literature on the refugee influx into India, covering the period soon after the influx, is scarce to the point of being non-existent. Among the literature available is: V K R V Rao, "An Economic Review of Refugee Rehabilitation in India", Delhi School of Economics, University of Delhi, 1955; R N Saxena, "Refugees", Asia Publishing House, 1961; S K Dey, "Nilokheri", Asia Publishing House, 1962; Jacques Vernant, "The Refugee in the Post-War World", George Allen and Unwin, London, 1953; Joseph B Schechtman, "The Refugee in the World", A S Barner and Company, New York, 1963.

2 "The refugee problem is essentially an international problem. It can only be resolved by international action. It is by attempting to harmonise the sometimes conflicting interests of the countries of first asylum and those of permanent resettlement by acting if not as referee, at least as counsellor of those

states and to the refugees themselves, by prompting in every possible way the gradual assimilation of the unemployed, and especially of the least adaptable, refugees and their integration in the more prosperous countries on whom nature has smiled, by smoothing the process which normally ends in naturalisation — it is in these ways that the international authority set up for this purpose can best discharge its task" in Jacques Vernant, *op cit*, p 22.

"The Indo-Pakistan refugee problem was different in that the two countries took up the responsibility of rehabilitation of the displaced persons in their respective countries. It was not conceived as an international responsibility", *ibid*, p 737.

3 "Refugees from East Bengal should be got registered under Foreigners' Act, 1946, according to the instructions of the Ministry of Home Affairs to all State Governments and they are required to obtain residence permit for stay at the place where registered for a period of three months. After registration, if any refugee desires to leave the present place of residence unauthorisedly he should be handed over to the police for violation of the provision of the Foreigners' Act. It should be explained to the refugees that their attempt to pressurise Government to obtain additional relief assistance would be fruitless and if they intend to desert, they will have to face serious consequences" in Government of India, Ministry of Labour and Rehabilitation, Branch Secretariat, *Administrative Instructions for Transit Relief Camps for Refugees from East Bengal*, Calcutta, 1971, p 8.

"Refugees will not be given any employment in India as, apart from being foreign nationals, such employment will lead to social and economic tensions within this country", *ibid*, p 12.

4 *Ibid*, p 12.

5 "The per capita recurring expenditure is Rs 1.75 per day. The non-recurring expenditure on per capita basis averaged out over 6 months comes to Rs 1.02 per day. Thus the total expenditure (recurring and non-recurring) comes to Rs 2.77 per refugee per day. Using these scales of expenditure, the total expenditure on 6.7 mn refugees in Camps works out to Rs 1.85 crores daily" in Government of India, Ministry of Labour and Rehabilitation, Branch Secretariat, *Statistical Information Relating to the Influx from East Bengal into India*, Calcutta, 1971, p 19.

It may be noted that the above expenditure is exclusive of that incurred on the three million refugees living with friends and relatives.

The volume of expenditure on refugees can also be visualised from the following statement: "According to an Aide-Memoire addressed by the Government of India on 20th January to the United Nations High Commissioner for Refugees, the cost of refugee relief in 1971 amounted to $ 320 mn. This represents exclusively the work undertaken by the authorities at the reception points and in camps and does not include the aid given by the Indian Red Cross and the Indian Voluntary Agencies nor the assistance provided by the population to the 3 million refugees who were living with friends and relatives.

"Focal Point, on 24th January had received donations in cash and kind amounting to $ 187 million. There have been cancellation of donations of about $ 2 million . . ." *UN Focal Point in India, The Concluding Phase of Focal Point*, New Delhi, February 11, 1972.

6 Quoted in Peter Collins, "A Mandate to Protect and Assist Refugees", United Nations High Commissioner for Refugees, Geneva, 1971.

7 This is adequately represented in the following excerpt: "The efforts of the United Nations High Commissioner for Refugees in his capacity as focal point 'to relieve the suffering of the refugees in India', as requested by the General Assembly in its resolution 2790 (XXVI), have continued without let-up since the cessation of hostilities in the subcontinent on 17th December 1971. At the same time, and to an increasing degree, the activities of the High Commissioner have been redirected to assisting in the refugees' 'return in safety and dignity to their homes', as called for by the Security Council in its resolution 307 (1971)" from *Report of the Secretary General Concerning the Implementation of General Assembly Resolution 2790 (XXVI), and Security Council Revolution 307 (1971)*, Twenty-Seventh Session of General Assembly, February 15, 1972.

8 Morris Zelditch Jr, "Role Differentiation in the Nuclear Family: A Comparative Study" in T Parsons and Bales (ed), "Family, Socialisation and Interaction Process", Free Press of Glencoe, Illinois, 1955, pp 309-310.

9 Thus naturally falling in line with the internationally defined humanitarian norm stated in the following words: "In view of the humanitarian factors involved, the High Commissioner has always attached special importance to this question and he has continued his efforts to promote the unity of the family, which the Conference of Plenipotentiaries considered as "an essential right of the refugees". *Report of the United Nations High Commissioner for Refugees*, General Assembly, Official Records, Twenty-Sixth Session, Supplement Number 12 (A/8412), United Nations, New York, 1971.

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Growth, Equity and the Budget

The Central budget for 1974-75 has a two-fold significance.

First, it offers the opportunity to draw up a balance-sheet of the performance of the economy in the Fourth Plan and to take stock on the eve of the Fifth Plan.

Second, since the budget is a major instrument for implementing economic policies, one may reasonably hope to discern in it the policy-frame for the Fifth Plan.

THE Fourth Plan was launched with the objective of putting the economy back on a steady growth path. Against this objective, economic stocktaking at the end of the Plan period is not at all a pleasant task. The Fourth Plan projection of an annual growth rate of 5.5 per cent was attained only in 1969-70. In the subsequent years, the rate decelerated, culminating in a decline of 1.7 per cent in 1972-73. Industrial production increased at an average annual rate of about 5 per cent during the quadrennium ending with 1972-73; however, in 1973-74 the index of industrial production is unlikely to even stay at the 1972-73 level. Agricultural production is hopefully expected to register a substantial increase in 1973-74 so that the overall growth of national income in the year may come to about 6 per cent. Taking the Fourth Plan period as a whole, the average annual rate of growth of national income is unlikely to exceed 3.5 per cent.

While the growth rates of agricultural and industrial production have played hide and seek, not so the rate of monetary expansion. Money supply with the public had risen from Rs 5,779 crores at the beginning of the Fourth Plan to Rs 10,334 crores by January 25, 1974 — a rise of 79 per cent. In contrast to this monetary explosion, the per capita availability of essential items like foodgrains, oilseeds, vanaspati, sugar, etc, either remained stationary or showed a decline. Per capita net availability of cereals and pulses at 418 grammes per day in 1973 was substantially lower than the figure of around 470 grammes per day in 1971 and 1972. The sharp rise of more than 30 per cent in the wholesale price index during the 21 months ending with December 1973 could not, therefore, have come as a total surprise. According to the Economic Survey for 1973-74 the "sharp acceleration in price inflation" was "the most important characteristic of the economic situation in 1973-74".

Wide variations between original Budget estimates and the final outcomes and the emergence of large deficits in government finances have become regular features. Deficit financing during the Fourth Plan, even in the restricted budgetary sense (largely measured by the variation in treasury bills), has far exceeded the original estimate. The economically significant measure of deficit financing and one that indicates the impact of the budget on money supply, viz, net bank credit to the government sector, has shown still larger increases. It increased by Rs 1,147 crores and Rs 1,308 crores in 1971-72 and 1972-73, respectively, and by a further Rs 1,032 crores between March 31 and January 25, 1974 thus exceeding, in each of these years, the total increase in money supply with the public.

Erosion in Real Content

Several factors — such as refugee relief, natural calamities, war — have been singly or jointly held to be responsible for the deterioration in government finances in the Fourth Plan, but larger Plan outlays are not one of them. There has been some increase in Plan outlay in money terms and with the inclusion of special welfare programmes, crash schemes for the unemployed and advance action for the Fifth Plan, the Fourth Plan total outlay, as provided in the Budgets, is expected to exceed the Plan figure of Rs 15,900 crores by Rs 300 crores. However, when the actuals become available, the Fourth Plan outlay target may at the best be found to have been attained in money terms. The fulfilment of the financial target cannot, however, conceal the erosion in real content of Plan programmes; at 1968-69 prices, the Fourth Plan outlay is likely to show a shortfall of the order of nearly 20 per cent.

The shortfall certainly cannot be attributed to lack of resources. On the contrary, the incremental financial resources acquired through taxation, net domestic borrowing (market borrowing, small savings and provident funds) and net external loans was not wholly, or even largely, utilised for stepping up Plan activity. In most of the Fourth Plan years, over one-half of the incremental resources raised through taxation and borrowing was absorbed by increase in non-Plan expenditure. Excepting in 1970-71 and 1971-72, the incremental resources exceeded even the incremental development expenditure (Plan and non-Plan), indicating how resources have been asborbed by non-developmental expenditure.

Neither Plan expenditure nor developmental expenditure by itself indicates the investment activity of the government sector. Data on capital formation in the government sector, which is an important indicator of the sector's contribution to growth, are available only in respect of the Central government. Incremental net capital formation (in money terms) through the Central budget was far below incremental resource acquisition through taxation and borrowing.

This is the background against which the 1974-75 Budget was framed. To set the economy back on the growth path, "a significant step-up" in the rate of investment in 1974-75 "is clearly an essential condition for the realisation of the basic objectives of the Plan". The total public sector Plan outlay for 1974-75 at Rs 4,769 crores envisages a step-up of Rs 405 crores over the provision in 1973-74. This increase, even in money terms, is overstated (by Rs 320 crores, according to one report) because the Plan provision for 1974-75 (as well as the total Fifth Plan outlay) takes investment on a gross basis (i e, new investment plus replacement expenditure) whereas the 1973-74 figure, following the Fourth Plan concept, excluded replacement investment. Again, using the increase of 21 per cent in the wholesale price index between April-December 1973 as a deflating factor (i e, assuming, contrary to the trend in the subsequent months, no further increase in the price level after December 1973), the real content of the 1974-75 plan outlay does not come to more than Rs 3,940 crores. In fact, there is thus a slackening of growth activity in 1974-75.

Enhancement of public sector investment expenditure, one may argue, is only one way of raising the growth rate. The growth rate may be accelerated by encouraging organised industries in the private sector to bridge the gap between the desired growth rate and the one that is feasible through the public sector investment programmes. For this taxation policies rather than public expenditure programmes may be deemed to be the effective instruments.

This is only an Announcement and not a Prospectus

Announcement regarding the issue of 1,75,000 Equity Shares of Rs. 10/- each cash at par. Persons interested in details may obtain copies of the Prospectus and Application forms from the Company's Registered Office, Underwriters, Brokers and Bankers to the issue mentioned below. Applications will be made to the Madras Stock Exchange for permission to deal in and for an official quotation of the Equity Shares in the Company. The subscription list will open at the commencement of banking hours on Wednesday 20th March 1974 and will close at the close of banking hours on Saturday 30th March 1974 or earlier at the discretion of the Directors, but not before the close of banking hours on Friday 22nd March 1974.

SRP Tools Limited

Registered Office/Factory: Lattice Bridge, Madras-600041.

ncorporation and History:

The Company was incorporated at Madras on 12.3.1963 as a PUBLIC LIMITED COMPANY for the objects specified in the Memorandum of Association and in particular for the manufacture of precision Cutting Tools, *viz*, Reamers, End Mills, Milling Cutters, Taps etc, at their existing factory at Lattice Bridge, Madras-600041. This year production and sales will exceed Rs. 60 lakhs. MESSRS. VOLTAS LIMITED ARE OUR SOLE SELLING AGENTS. THE COMPANY HAS ENTERED INTO A TECHNICAL COLLABORATION WITH MESSRS. MITSUBISHI HEAVY INDUSTRIES LIMITED, JAPAN for manufacture of 4000 Nos. of Gear Hobs, 5000 Nos. of Gear Shaping and Shaving Cutters and 2000 Nos. of Broaches. The proposed factory is located at SIPCOT Industrial Complex, Ranipet, Wallajah Taluk, North Arcot Dist., an industrially under-developed area, eligible for Central and State cash subsidy and tax benefits. The Company is maintaining 10% Dividend from the first year of production, i e, 1966.

Prospects:

When the factory comes into full production, the total output of the company will be about Rs. 170 lakhs and will also save considerable foreign exchange since the products to be manufactured are at present being imported. The Company expects a reasonable profit after depreciation and interest to maintain the dividend on the enlarged capital.

Share Capital:

Authorised:			
8,00,000	Equity Shares of Rs. 10/- each	Rs.	80,00,000.00
20,000	9.5% Cumulative Redeemable Preference Shares of Rs. 100/- each (free of Company's tax but subject to deduction of tax at source at prescribed rates)	Rs.	20,00,000.00
		Rs.	1,00,00,000.00
Issued:			
2,90,000	Equity Shares of Rs 10/- each	Rs.	29,00,000.00
Subscribed and paid up:			
1,45,000	Equity Shares of Rs. 10/- each fully paid up	Rs.	14,50,000.00
1,45,000	Equity Shares of Rs. 10/- each paid up to the extent of Rs. 5/- per share	Rs.	7,25,000.00
		Rs.	21,75,000.00
	Less: Calls in arrears	Rs.	1,955.23
		Rs.	21,73,044.77
Present Issue:			
2,05,000	Equity shares of Rs. 10/- each	Rs.	20,50,000.00
Out of the Present Issue:			
30,000	Equity Shares of Rs. 10/- each have been reserved for allotment to Industrial Finance Corporation of India for cash at par.	Rs.	3,00,000.00
	Now Offered to Public for Subscription in Terms of this Prospectus for Cash at Par.		
1,75,000	Equity Shares of Rs. 10/- each	Rs.	17,50,000.00

Terms of Payment:

On application Rs. 2.50 per share.
On allotment Rs. 2.50 per share.

Balance in two equal calls on such dates as may be decided by the Board of Directors. (Applications must be for a minimum of 50 Shares).

Board Of Directors:

1.	Sri. A. Nagappa Chettiar, 44, Spur Tank Road, Madras-600031.	INDUSTRIALIST Chairman: The Chrome Leather Co. Pvt. Ltd. Southern Borax Limited Managing Director: The India Leather Corpn. Pvt. Ltd Director: The Tube Suppliers Ltd. Sree Valliappa Textiles Ltd. Bank of Madurai Ltd. Sree Meenakshi Mills Ltd.
2.	Sri J. V. Somayajulu, 337, Thambu Chetty Street, Madras-600001.	INDUSTRIALIST Director: The Republic Forge Co. Ltd. The Travancore Rayons Ltd. The Nizam Sugar Factory Ltd. Partner: M/s. Somayajulu & Co.
3.	Sri. S.N.A.S.A. Annamalai Chettiar, 71, M. M. Street, Karaikudi-623001.	BANKER Director: Simco Meters Ltd. Seshasayee Industries Ltd. P. Orr & Sons Pvt. Ltd. Bank of Madurai Ltd. Pudukottah Textiles Ltd. etc. etc.
4.	Sri VR.S.Rm. Arunachalam Chettiar, Attangudi, Ramnad Dist.	BANKER
5.	Sri S. Rm. Pl. Subramanian, 8, College Lane, Madras-600006.	INDUSTRIALIST Director: Engineering Accessories Pvt. Ltd. (Managing Director) Asian Bearings Ltd.,
6.	Sri. Rm. Palaniappan, 18, Agasteeswar Nagar, Madras-600010.	INDUSTRIALIST Director: Productivity Elements (P) Ltd. Techno Crafts Combines (P) Ltd. Small Industries Development Corporation of Tamil Nadu Ltd. etc.
7.	Sri. K. M. Kader Mohideen 22, Sydenhams Road, Madras-600003.	BUSINESSMAN Partner: Habib & Co. K. M. Mohideen & Co. etc.

Legal Adviser:

Mr. T. Raghavan,
11/B, Mowbrays Road,
Madras-600018.

Auditors:

M/s. Brahmayya & Co.
337, Thambu Chetty Street,
Madras-600001.

M/s. M. C. Ranganathan & Co.,
310/311, Linghi Chetty Street,
Madras-600001.

Bankers:
Indian Bank, Thiruvanmiyur, Madras-600041.

Underwriters:

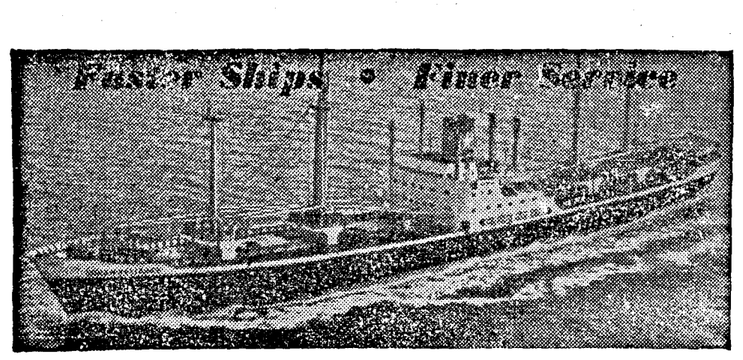
		Amount Underwritten Rs. in lakhs
1.	Tamil Nadu Industrial Investment Corpn. Ltd., 26, Whites Road, Madras-600014.	8.00
2.	The Industrial Credit & Investment Corpn. of India Ltd., 163, Backbay Reclamation, Bombay-400020.	5.00
3.	Industrial Finance Corpn. of India, Bank of Baroda Building, 16, Parliament Street, New Delhi-110001.	2.00
4.	State Industries Promotion Corpn. of Tamil Nadu Ltd., 11/A-1, Anna Salai, Madras-600002.	2.50
		17.50

Brokers:

Madras:	Paterson & Co., Vanguard House, 11/12, Second Line Beach, Madras-600001. Somayajulu & Co., 337, Thambu Chetty St., Madras-600001. Dalal & Co, 362, N.S.C. Bose Road, Madras-600001. Subramanian & Co., 13/14, Second Line Beach, Madras-600001. Rm Ramanathan, 106, Armenian Street, Madras-600001. M. R. Arunachalam, 106, Armenian Street, Madras-600001. Ramshankar & Co., 9/10, Second Line Beach, Madras-600001. V. S. Krishnaswami & Co., 106, Armenian Street, Madras-600001. Sundaram & Co., 3, Padmanabha Chetty St., Madras-600001.
Bombay:	Merwanjee Bomanjee Dalal, Allahabad Bank Bldg., Apollo Street, Bombay-400001. Lewis & Jones, Bank of Baroda Bldg., Apollo Street, Bombay-400001. D. S. Purbhoodas & Co., Stock Exchange Bldgs., Apollo Street, Bombay-400001. Batliwala & Karani, Union Bank Building, Dalal Street, Bombay-400001.
Calcutta:	M. M. Murarka & Co., 1/B, Mandeville Gardens, Calcutta-700019. Stewart & Co., 14, India Exchange Place, Calcutta-700001. G.M. Pyne, Allahabad Bank Building, 14, India Exchange Place, Calcutta-700001.
New Delhi:	Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi-110001. Vinod Kumar & Co., A-6, Connaught Place, New Delhi-110001. R. K. Relan & Co., United Life Building, Connaught Place, New Delhi-110001.
Hyderabad:	P.B. Afzulpurkar, Sultan Bazar, Hyderabad-500001.
Ahmedabad:	Laxminarayanan N. Gupta & Co., Relief Road, Ahmedabad.
Bangalore:	N. Nanjappaiah Jahgirdar, 205, Cavalry Rd., Bangalore-560042. Vijai & Co., 9, Eleventh Main Road, Malleswaram, Bangalore-560003. Jahgirdar & Co., 21, 2nd Main Road, Seshadripuram, Bangalore-560020.

Bankers to the Issue:

Indian Bank,	North Beach Road, Madras-600001 and its main offices at: Ahmedabad, Bangalore, Baroda, Bombay, Calcutta, Coimbatore, Hyderabad, Jamshedpur, Madurai, New Delhi, Trichy and Pondicherry.
Bank of Baroda,	11/12, North Beach Road, Madras-600001 and its main offices at: Ahmedabad, Baroda, Bangalore, Bombay, Calcutta, Hyderabad, Indore, Madurai, Nagpur, Poona and Trichy.
Bank of Madurai,	Bombay, Calcutta, Coimbatore, Madurai, Salem, Trichy and Karaikudi.



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INDIA—POLAND Also around the INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

ANNOUNCEMENT REGARDING ISSUE OF 7,10,500 EQUITY SHARES OF Rs. 10 EACH AND 45,000 PREFERENCE SHARES OF Rs. 100 EACH FOR CASH AT PAR.

PERSONS interested in full details may obtain copies of the *Prospectus and Application forms from* the Registered Office of the Company, Underwriters, Brokers or Bankers to the Issue mentioned below.

The subscription list will open at the commencement of banking hours on Monday, the 18th March 1974.. and will close at the close of banking hours on *Thursday, the 28th March 1974, or earlier at the discretion of the Board of Directors* of the Company but not before the close of banking hours on Wednesday, the 20th March 1974.

GS GANGAVATI SUGARS LIMITED

(Incorporated under the Companies Act, 1956) Regd. Office : 30, Shrungar Shopping Centre, Mahatma Gandhi Road, Bangalore—560001.

EXISTING AND PROPOSED ACTIVITIES:
The Company is a Joint Sector Undertaking with Mysore State *Industrial Investment and Development* Corporation Ltd, MSIIDC one of the promoters, holding 26% of the Equity Shares of the Company and was incorporated on 6th October 1971 as a Public Limited Company in Bangalore and the Certificate of Commencement of Business was obtained on 18th November 1971. The objects are stated in the Memorandum and Articles of Association of the Company. The immediate object of *the Company is to set up a plant for the manufa*cture of sugar with a daily crushing capacity of 2500 *tonnes of sugarcane.*
The Company has already undertaken construction of the factory and orders for the plant and machinery have already been placed with the suppliers. Barring *unforeseen circumstances* and conditions beyond the control of the directors, it is expected that the factory will commence production by October 1974.

LOCATION OF THE INDUSTRY:
The plant is being set up in Marli Village, Gangavati *Taluk, of Raichur District. The location commands* a very wide area of lands growing sugarcane, the chief raw material. This area is classified as a *selected backward area and all the financial con*cessions relating to this are available to the Company.

APPLICATIONS TO THE STOCK EXCHANGES:
Applications have been made to Bangalore, Bombay and Madras Stock, Exchanges for permission to deal in and to official quotations for the existing and also for the Equity and Preference Shares now *being issued*

PROJECT COST
The Project Cost is estimated at Rs. 525 lakhs and is proposed to be *financed as under :*

SHARE CAPITAL:

	(Rs. in lakhs)
Equity	145
Preference	45
	190
TERM LOANS	335
Total	525

BOARD OF DIRECTORS:
SHRI T. SHAMANNA, Chairman, *(Company Director). S/o* T. Sanjeevappa, 411, II Block, Jayanagar, Bangalore-560011
Chairman :
Radio & Electricals Manufacturing Company Ltd. Bangalore
Mysore Sales International Limited, Bangalore
N G E F Ltd. Bangalore
Mysore Porcelains Limited, Bangalore.
Suman Sugiyama Plastics & Electronics Pvt. Ltd, Bangalore.
Mysore Petro Chemicals Limited, Bangalore.
Mysore Structurals Limited, Bangalore
Director :
Mangalore Chemicals & Fertilizers Ltd., Bangalore
Canara Steel Ltd., Udipi, and others.

SHRI N. CHANDAPPA, Managing Director, *(Businessman), S/o P.B. Nanjaiah, 496, Rajmahal* Extension, Upper Palace Orchards, Bangalore-560006.
Managing Director :
Sri *Chamundeswari* Sugars Limited, Bangalore.
Director :
Indo-Swiss Synthetic Gem Mfg. Co. Ltd., Mettuppalayam
Sakthi Pipes Limited, Madras.
Enfield India Limited, Madras.
Intrac Pharmaceuticals Limited, Madras.
Hindustan Photo Films Mfg. Co. Ltd., Gootacamund
Cawnpore Sugar Works Ltd, Kanpur.
Sakthi Sugars Limited, Coimbatore.

SHRI H. R. BASAVARAJ, Managing Director, *(Businessman), S/o H. Ramaiah,* 28, A-2, Sankey Road, Bangalore-560052.
Chairman :
India Breweries & Distillery Pvt. Ltd, Ameerabad.
Managing Director :
Nandi Breweries & Distillers Pvt. Ltd, Bangalore.
Director :
Suman Sugiyama *Plastics & Electronics Pvt. Ltd,* Bangalore

SHRI B. V. DESAI, Director, *(Agriculturist),* S/o Venkata Rao Desai, 270, Upper Palace *Orchards, Bangalore* 560006.
Chairman :
Navakarnataka Steels Private Limited, Bellary.
Managing Director :
Vijaya Steel Rolling Mill Private Limited, Bangalore.

SHRI B. PUTTARAJ URS, Director, (Executive), S/o Puttaraj Urs, 63, X Main, XV Cross, *Malleswaram*, Bangalore-560003.
Secretary :
Mysore State Industrial Investment & Development Corporation Limited, *Bangalore.*

Director :
Mysore Petro Chemicals Limited, Bangalore.
Chitradurga Copper Company Limited, Bangalore. and others.

SHRI S. N. PARTHASARATHY,
Director, (Agriculturist & *Industrialist*), S/o S. N. Narayana Gowda, 155, Jaya Nivas, Lower Palace Orchards, Bangalore-560003.
Director :
The Mysore Paper Mills Limited, Bangalore.
The Mysore Lamp Works Limited, Bangalore.

SHRI H. G. RAMULU, Director, (Agriculturist & Industrialist) S/o H. R. Gaviappa, Saroj Nivas', Anegundi Road, Gangavati, Raichur District.
Secretary :
Shri A. V. R. Rao, 22A, 3rd Cross, Kodandaramapuram, Malleswaram, Bangalore-560003
Auditors :
M/s. D. V. Sarovar & Co., Station Road, Raichur.
Legal Adviser :
Shri N. Jayaraman, Advocate, 9 Vinayaka Building, Malleswaram, Bangalore-560003.

SHARE CAPITAL:
Authorised

22,50,000 Equity Shares of Rs. 10 each	Rs. 2,25,00,000
75,000 Preference Shares of Rs. 100 each	Rs. 75,00,000
Total	Rs. 3,00,00,000

Issued, Subscribed and Paid Up :

3,62,500 Equity Shares of Rs. 10 each *Subscribed* for cash at par by the directors, their friends and associates fully paid	Rs. 36,25,000
3,77,000 Equity Shares of Rs. 10 each Subscribed for cash at par by MSIIDC Ltd., Bangalore, a Company wholly owned by Karnataka Government fully paid	Rs. 37,70,000
Total:	Rs. 73,95,000

PRESENT ISSUE:
OFFERED TO THE PUBLIC FOR SUBSCRIPTION FOR CASH AT PAR:

7,10,500 Equity Shares of Rs. 10 each	Rs. 71,05,000
45,000 9.8% (free of company's tax but subject to deduction of *taxes at source at the prescribed* rates) Redeemable Cumulative Preference Shares of Rs. 100 each	Rs. 45,00,000
Total	Rs. 1,16,05,000

TERMS OF PAYMENT:

	EQUITY SHARES	PREFERENCE SHARES
On application	Rs. 2-50	Rs. 25-00
On allotment	Rs. 2-50	Rs. 25-00
Balance in two calls at such time as may be determined by the Board of Directors provided however, that there shall be *an interval* of at least one month between the first and second call and between *the allotment* and first call	Rs. 5-00	Rs. 50-00
Total	Rs. 10-00	Rs. 100-00

BANKERS TO THE COMPANY
State Bank of India,
St. Marks Road, Bangalore 560001
State Bank of Hyderabad,
5-9-187 1, Gun foundry, Hyderabad - 500001
Canara Bank,
12, J.C.Road, Bangalore - 560002.
Syndicate Bank,
Post Bok No. 1, Manipal (S.K.).
Corporation Bank Ltd.,
230-235, 1st Floor, Sultanpet Circle
Bangalore - 560053.

BANKERS TO THE ISSUE
All the above Bankers and
State Bank of Mysore
South Parade Branch, Bangalore 560001

Share application forms will be accepted at the above places *and the Branch offices* of the above Bankers, mentioned in the Share Application forms.

UNDERWRITERS:
The entire issue now offered to the public has been fully underwritten as herein specified. No *underwriting commission or brokerage* has been paid or is payable in respect of shares already *issued to the promoters*, directors, their friends *and associates.*

Names of Underwriters	Amount Underwritten (Rs. in lakhs) Equity	Preference
Industrial Development Bank of India, Bombay.	33.55	—
The Industrial Credit and Investment Corporation of India Limited, Bombay	15.00	10.00
Industrial Finance Corporation of India, New Delhi.	10.00	—
Life Insurance Corporation of India, Bombay.	5.00	5.00
Corporation Bank Ltd., Bangalore.	—	15.00
The Oriental Fire and General Insurance Company Limited, Bombay.	3.75	6.25
The New India Assurance Co. Ltd., Bombay.	—	2.50
The United India Fire and General Insurance Co. Ltd., *Madras*	0.75	1.25
UIFG: Unit-Hercules Insurance Co. Ltd., Madras.	0.75	1.25
UIFG: Unit - Madras Motor and General *Insurance*, Co. Ltd Madras.	0.75	1.25
UIFG: Unit-Pandyan Insurance Co. Ltd., Madurai.	0.75	1.25
UIFG: Unit - Concord of India Insurance Co. Ltd., Calcutta.	0.75	1.25
Total:	71.05	45.00

BROKERS
Ahmedabad
Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Ratanpole Ahmedabad-380 001
Bangalore
Alan J. Chaves, 19/3, *Cunnigham Road* Bangalore - 560052
Jahgirdar and Co., 21, 2nd Main Road, Sadhadripuram, Bangalore 560020
M. Nanjappaiah Jahgirdar, 205, Cavalry Road, P. B. No. 4271, *Bangalore* - 560042.
Vijai and Co., 9, 11th Main Road, Malleswaram, Bangalore - 560003.
Bombay
Bhupendra Champaklal Devidas,
4th Floor, Bhuden Chambers, Dalal Street, Fort, Bombay - 400001
Devkaran Nanjee & Co., *Stock Exchange Building,* Apollo Street Fort, Bombay 400001
Lewis and Jones, Bank of Baroda Building, Apollo Street, Fort, Bombay - 400001.
Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay - 400001.
P. R. Subramanyam and Sons, 70 A, Stock Exchange Building, *Apollo Street, Fort, Bombay - 400001.*
Calcutta :
Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-700001
G. M. Pyne, 14, India Exchange Place, Calcutta-700001
Hyderabad :
Lakshmi Narayana Rathi, 4-5-173 Hashmat Gunj, Sultan Bazaar, Hyderabad. A.P.
Indore :
Pushkarlal Ghudawala, 44, Bada Sarafa, Indore-452002.
Madras :
Dalal & Co., National Insurance Building, 362, N.S.C. Bose-Road, Madras-600001
Maconochie & Co., Mercantile Bank Building, Madras 600 001
Subramaniam & Co., 13/14, 2nd Line Beach, Madras-600001
New Delhi :
H. P. Mehta & Co., 'Surya Kiran', III Floor, Kasturba Gandhi-Marg, *New Delhi*-110001.
M. R. Soni & Co., 43, Stock Exchange Building, Asaf Ali Road, New Delhi-110001.

APPLICATIONS FOR SHARES:
Applications may be made only by residents in India and must be for a minimum of 50 Equity Shares or 5 Preference Shares or multiples thereof. Application forms properly *completed together* with cash, cheques or drafts for the amount payable on application must be delivered before the closing of the subscription list to any of the bankers to the issue named in the prospectus or *at any of their branches* mentioned in the share application forms. Cheques or drafts should be drawn on a Scheduled Bank, including a State Co-operative Bank included in the *Second Schedule* to the Reserve Bank of India Act, 1934, situated in the same town, as the bank to which application is *submitted.*

MCA/GS-1

COMPANY MEETING

Ashok Leyland Limited

Madras 600057

Speech delivered by Mr S Ranganathan, Chairman, Ashok Leyland Limited to the Shareholders at the Twentyfifth Annual General Meeting of the Company held on 4th March 1974 at Ennore Madras 600057

FRIENDS,

It gives me very great pleasure to welcome you to the 25th Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and the Profit and Loss Account have been circulated to you and with your permission I shall take them as read.

GENERAL ECONOMIC CONDITIONS

During the year under review, the nation's economy had to pass through a difficult phase marked by droughts and floods in different parts of the country, power shortage and increasing paucity of *industrial inputs*. The combined effect of all these is an unprecedented inflationary spiral and the effect of this is felt in an increasing measure in all phases of our manufacturing activity.

The recent development in West Asia resulting in the phenomenal increase in world prices of crude oil in a short period has over-shadowed many problems we are facing on the home front. Apart from the difficulty in securing adequate supplies of oil on a short term or long term basis, the most serious problem for the country as a whole is the severe drain on the country's foreign exchange earnings. This major development has rendered the outlook for the future neither bright nor even clear and India, along with most other nations, has no alternative, but to tighten its belt and take all possible measures for the conservation and cautious utilisation of available energy resources. The Automobile Industry in particular will be very much affected by this turn of events in the international scene. I have no doubt our Government is fully alive to this problem, although it is rather too soon to envisage the precise measures that will be introduced to tide over the crisis.

TURNOVER AND PROFITABILITY

You will note from the Profit and Loss Account that sales for the year 1972/73 amounted to Rs 48 crores, which is a substantial improvement over the performance in the previous year. It is gratifying that this increased turnover could be achieved despite the prolonged power cut in our State. This has been possible largely because of the sustained production at the optimum level in the last quarter of the year. Despite this improvement in sales turnover over the previous year, the net surplus, after payment of all expenses and taxation, was only Rs 108 lakhs, which represents only 2.2 per cent of the turnover. (The corresponding figure for 1971/72 was 2.4 per cent and for 1970/71 2.5 per cent.) A total of 5,230 chassis were sold during the year. You will be glad to know that despite severe shortages of raw materials and ancillary items, we have produced and sold almost 2,300 vehicles in the first 4 months of the current year, which is an all-time record. Whether we will be able to maintain production and sales at this level is a moot point, particularly in view of the ever increasing problems of obtaining the necessary supplies of raw materials and bought out components, etc. It is interesting to note that our Company places a far higher percentage of its requirements with ancillary industries than any other. We continue to increase the indigenous content of our models and are in fact as far as possible increasing the pace of our work in this area.

DIVIDEND

You will be glad to know that your Directors have decided to recommend a dividend of 12½ per cent for the year. Whilst we appreciate that this rate of return is only slightly above what can be obtained from investment without any risks involved, we feel sure you will appreciate the fact that it is a considerable improvement on past dividends. Whilst on this subject, I would like to dwell briefly on prices and profits.

SELLING PRICES

The Commercial Vehicles Industry plays a vital role in fostering economic growth. Due to various constraints, the production of commercial vehicles in the country is rather limited and only ourselves and one other manufacturer are producing at over 80 per cent of the installed capacity and their products are also in great demand. Current levels of production simply cannot meet the demand; there is, therefore, urgent need for increasing the production of all manufacturers. In this context, I was happy to read recent Ministerial pronouncements that the Government is keen that investments already made in this key sector of our economy must be allowed to earn reasonable returns. This industry is conscious of its vital role and has expressed its willingness to evolve a price discipline on its own, which could be self adjusting and self enforcing.

At the same time it should not be forgotten there is an upward spiralling of prices of every conceivable item used in the Automobile Industry such as steel, copper, aluminium and other non-ferrous metals, forgings, castings, etc. In India, as in the western countries, the Automobile Industry is dependant on a large number of ancillary suppliers. Therefore, unless there is an all-round price discipline, it will be extremely difficult to hold the price of the end product alone. These matters are currently under discussion with the Ministry of Heavy Industry and the Bureau of Industrial Costs and Prices. I sincerely hope there will be a satisfactory solution to this problem which, while providing a certain amount of price stability and consumer assurance, will leave adequate 'retained surplus' to be canalised for the long overdue replacement of old equipment in a progressive manner and also to plan investment on plant and machinery for increased production.

EXPANSION

I am glad to inform you that the Company has received an Industrial Licence for expansion of the Comet Vehicle production to 10,000 Nos per annum and the Company is already taking active steps for providing the requisite buildings and additional plant and machinery to achieve the expand-

ed output in the shortest time possible. It is hoped that the Company's request for import of capital plant and machinery, valued at Rs 150 lakhs approximately will receive Government's sanction under the simplified procedure and within the target period set by Government for processing such applications. To finance this major expansion of our facilities, it is imperative that we are permitted to ensure reasonable levels of profitability, consistent no doubt with fair and practicable utilisation of installed capacity.

EXPORTS

Our exports have not touched a satisfactory level during the last two years, mainly because of the uncertainties in production arising from the prolonged labour dispute in 1971/72 and the severe power cut last year. Nevertheless, the Company is fully conscious of its responsibilities towards maximising exports, particularly in view of the oil crisis and the high drain of foreign exchange arising therefrom. Your Govpany has given an undertaking to Government of India to export at least 10 per cent of the additional output of Comet vehicles, under the expansion scheme, and in order to fulfil this commitment the Company is already taking measures to explore the markets in South-East Asia and African countries. In this task, Messrs British Leyland Motor Corporation have assured us of maximum co-operation and their global contacts as well as net-work of Agencies in these countries will be available to us. The response so far has been encouraging and apart from current negotiations for substantial orders from Singapore, Hong Kong and other neighbouring countries, we already hold orders for more chassis than were achieved in the whole of last year. I would however like to mention that our export performance in 1970/71 was good enough to secure the Government of India's Export Promotion award and I recently had the pleasure of receiving the award from Government for our outstanding export performance.

ACKNOWLEDGEMENT

Mr R R Jones resigned from the office of Managing Director on 13th September 1973, on completion of his term of appointment, and has taken up another assignment with British Leyland in Australia. I would like to place on record our appreciation of the valuable services rendered by Mr Jones during his tenure of office.

I am glad to inform you that our collaborators, Messrs British Leyland Motor Corporation, have made available the services of Mr R J Hancock for appointment as Managing Director of this Company for a period of two years in succession to Mr Jones. Prior to joining us, Mr Hancock was a Director of the Special Products Division of British Leyland in the United Kingdom. I am confident that with his background and valuable experience, he will make a substantial contribution towards further progress of the Company and the speedy implementation of the expansion programme.

I am grateful to our collaborators, British Leyland Motor Corporation, for their continued guidance and active assistance in the development of the Company, which will be required in greater measure for the implementation of our expansion programme.

I would like to take this opportunity to convey our sincere thanks to the Central and State Governments for their encouragement and support and also the Financial Institutions, and our Bankers for their continued support in the day-to-day operations and advancement of our business.

I would like to express our appreciation of the loyalty and co-operation of all our employees which has made a significant contribution to the satisfactory results we have been able to achieve this year.

Finally, we must not forget the gratitude due to all our Dealers who are the people who finally sell our products.

In conclusion, on behalf of the Board of Directors and myself, I would like to convey our sincere thanks to the Shareholders for the continued support and confidence they have placed in us

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

Industrial Countries' Reserves Decline

TOTAL international reserves of industrial countries declined to the equivalent of SDR 91.5 billion at the end of January 1974, from SDR 98.6 billion at the end of October 1973. While it may be too early to attribute these reserve losses substantially to the price increases for oil imports, they do reflect the growing weakness in the balance of payments of a number of important industrial countries.

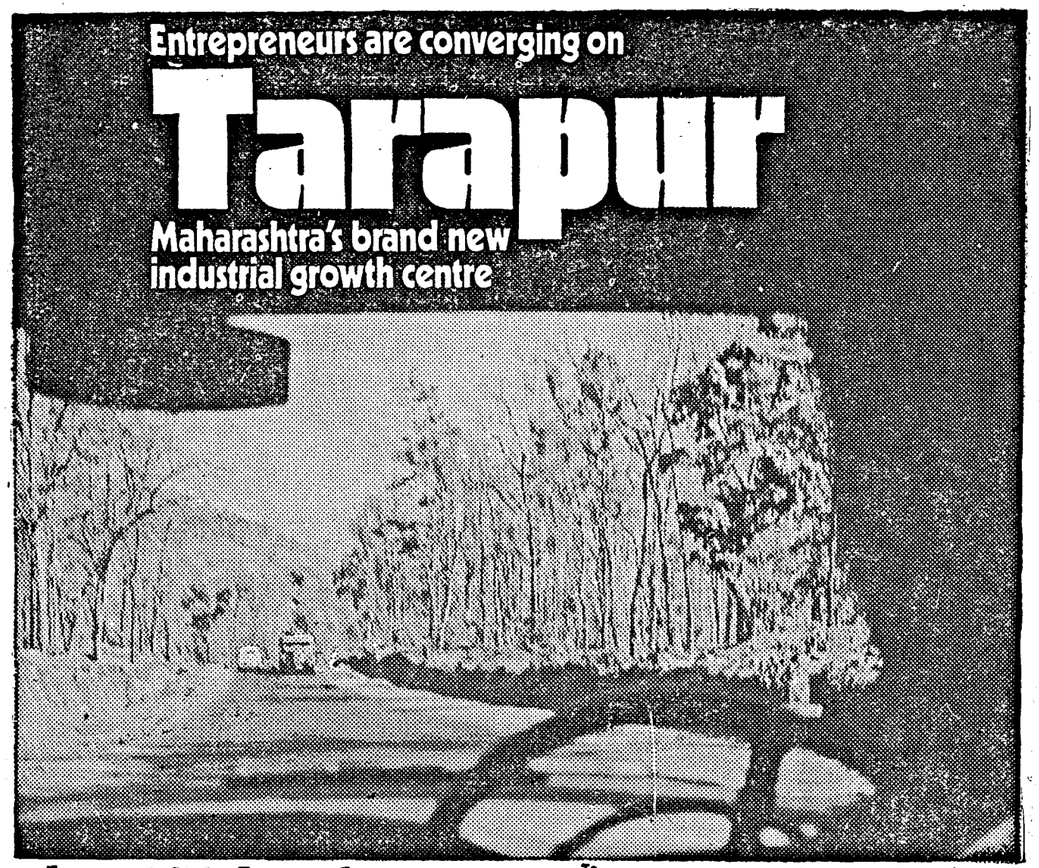
For industrial Europe, international reserves fell from the equivalent of SDR 64.63 billion in October to SDR 59.86 billion in January. West Germany's reserves decreased from SDR 29.04 billion to SDR 26.66 billion, France's from SDR 8.40 billion to SDR 6.87 billion, Switzerland's from SDR 6.10 billion to SDR 5.72 billion, the Netherlands' from SDR 5.22 billion to SDR 4.89 billion and Italy's from SDR 5.12 billion to SDR 4.98 billion.

Significant reserve losses were also registered by Japan, from SDR 11.65 billion in October 1973 to SDR 9.59 billion in January 1974, and by the United Kingdom, from SDR 5.60 billion to SDR 5.12 billion. The international reserves of the United States remained largely unchanged, being SDR 11.91 billion in October and SDR 12.07 billion in January.

The changes of international reserves were almost entirely restricted to movements in foreign exchange, where industrial countries' holdings declined from the equivalent of SDR 57.72 billion at the end of October 1973 to SDR 50.69 billion at the end of January 1974. There was hardly any change in the other reserve assets; the gold holdings of industrial countries remained near SDR 29.76 billion throughout the period under review, the SDR holdings near SDR 6.6 billion, and the reserve positions in the Fund near SDR 4.5 billion.

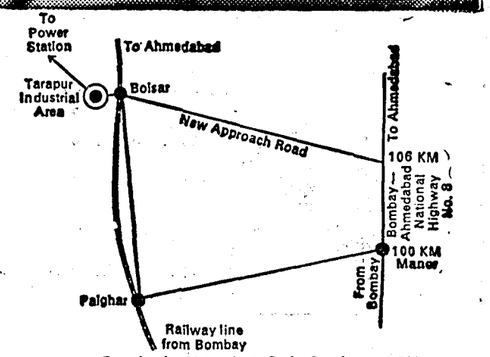
Exports of the industrial countries reached an annual rate of US 429 billion (f o b in the fourth quarter of 1973, up 13.0 per cent from a seasonally low rate of $ 379.5 billion in the third quarter of 1973 and 38.2 per cent from the $ 310.4 billion rate recorded in the fourth quarter of 1972. For all of 1973, the exports of industrial countries are estimated to have totalled $ 374 billion, an increase of 35.7 per cent over the $ 275.6 billion of 1972 and 60.5 per cent over the $ 233 billion of 1971.

The United States' exports, after growing by only 12.8 per cent from $ 44.1 billion in 1971 to $ 49.8 billion in 1972, jumped by 43 per cent to $ 71.3 billion in 1973. West Germany's exports increased by 44.6 per cent to 67.5 billion in 1973, those of Japan by 28.9 per cent to $ 36.9 billion, of France by 38 per cent to $ 36.6 billion and of the United Kingdom by 25.5 per cent to $ 30.5 billion.



just 100 km from Bombay Airport

Over 30 entrepreneurs have already selected MIDC's Industrial Area at Tarapur for their new ventures. Many more are moving in. Why?
Apart from the proximity to Bombay, Tarapur offers these important advantages:
level land in MIDC Industrial Area (which means low development cost)
adequate water from MIDC's Surya River Water Supply Scheme
power supply from new 132/11 KV sub-station of MSEB
developed ancillary base nearby
location near the sea enables economical effluent disposal
round-the-year goods transport facilities by rail and road, including four train connections with Bombay every day
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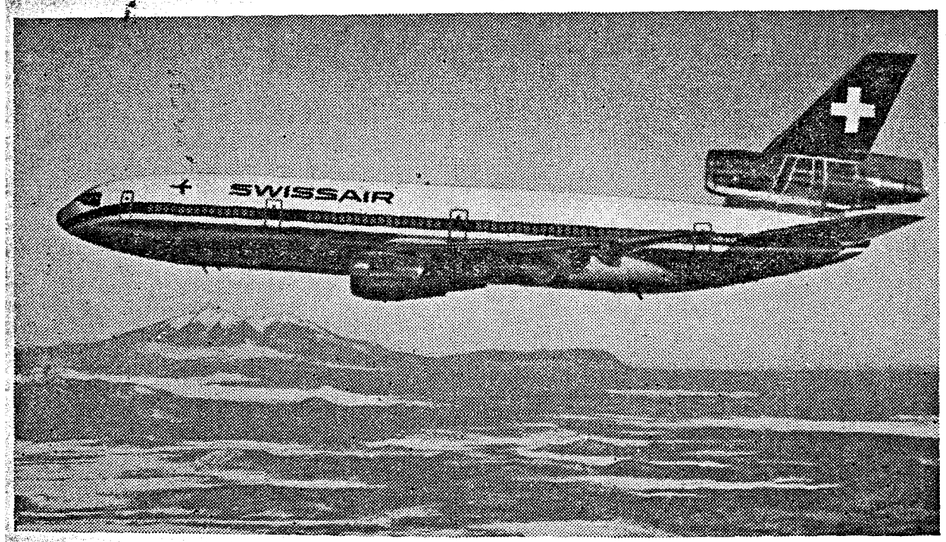
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ECONOMIC AND POLITICAL WEEKLY

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A New Script

THE tripartite meeting scheduled in New Delhi in the first week of April can now be only a ritual. With the recognition of Bangladesh by Pakistan and of Pakistan by Bangladesh, and the hugging and kissing for the benefit of the TV cameras in Lahore, a chapter is ended in the affairs of the sub-continent. The government of India has to put on a brave face and accept the shifts the political relationships now in the offing.

Whatever gloss may be sought to be put upon it, what happened at the Islamic Conference does not at all conform to the script envisaged by the Simla Agreement of July 1972. Pakistan recognised Bangladesh, but not in terms of the time-table set at Simla; it chose its own time and its own emissaries to convey the tiding to Dacca. The decision to recognise Bangladesh did not emerge as the end-product of a tripartite arrangement. India's role was played out, and it was left to the brotherhood of Islam to bring about the final act of reconciliation between two essentially Islamic countries. New Delhi may continue to claim the plaudits for this culmination, but even in Bangladesh, New Delhi's claim is likely to evoke derision.

On the face of it, the recognition by Pakistan of what was once its eastern flank as a sovereign independent nation is without strings; but President Sadat has not left anybody in doubt that Sheikh Mujibur Rahman has agreed to waive his right to put on trial the 195 Pakistani prisoners of war. The Sheikh's sudden predilection to dilate on the theme of Bengali magnanimity is much too transparent a ploy; even without the Sadat statement, it would hence have been possible to form a fairly reliable idea about the nature of the deal struck behind the scenes.

One can therefore merely sit in retrospective judgment on the wisdom of the Indian negotiators who chose to drive such a hard bargain with Bhutto twenty months ago in Simla. True, around July 1972, the atmosphere was still somewhat surcharged, and any proposal for dropping the trial of the prisoners might have provoked a hostile reaction in Bangladesh. But there are ways and ways in which a particularly awkward clause in an international agreement can be made saleable; with some persuasion on the part of India, the leaders of Bangladesh could perhaps have been made to fall in line. Were this gesture then forthcoming, Bhutto should have found it possible to recognise Bangladesh straightaway; in the afterglow of that achievement, even the disagreeableness of the fact that prisoners of war accused of the most heinous crimes would go scot-free along with the rest might have been put up with.

The April meeting in New Delhi is to put the formal seal on precisely such a decision. Since the terms have already been tacitly agreed upon between Pakistan and Bangladesh, the government of India will have little room for residual manoeuvres. Meanwhile, Bhutto has been able to consolidate substantially his domestic position. This is as much on account of his economic successes as because of his ability to hold his own in external negotiations. In Bangladesh too, Pakistan has ceased to be the devil it was two years ago. Much of the popular wrath engendered by the spiralling inflation is currently being directed at India.

The fact that recognition came Bangladesh's way through the intermediary of the brothers of Islam would clinch the point that blood, despite the unfortunate events of 1971, continues to be thicker than water. It is now only a matter of time before Pakistani goods, including wheat, fine varieties of rice and cotton cloth and yarn, start flowing into Bangladesh and the latter in its turn sends to Pakistan its surplus supplies of tea and paper. The allegedly unfair competitive practices indulged in by India would, one feels almost certain, henceforth be increasingly referred to by the exporters of jute in Bangladesh. That India has proved to be a generally unreliable supplier of even such commodities in which it is allegedly surplus, for instance, coal, is likely to be incessantly harped upon.

Whatever has happened has happened. The limited objective in New Delhi's policy-making should now be to concentrate on ensuring that, while Bangladesh ceases to be a close friend, at least it must not be provided with the opportunity to turn into a difficult neighbour. For one thing, the government of India must abdicate, once and for all, its ambition to play a special role in Bangladesh. Gratitude is a brittle currency and New Delhi would only make itself more vulnerable if it tries to rub in the fact that, without Indian sustenance, the liberation of Bangladesh could have been a long drawn-out affair. It is pointless to talk in terms of an ideological affinity with that nation either, because the variant of parliamentary democracy

which Sheikh Mujibur Rahman is practising owes little to India. In the course of the past two years, the regime in Bangladesh has exhibited a quality of *pragmatism* which will increasingly draw it away from the snare of Indian neighbourliness. The programme of the Awami League has all along been marked by a robust opportunism and from the point of view of both economics and politics, Zulfiquar Ali Bhutto now has more to offer than Indira Gandhi. In this circumstance, the Sheikh's thoughts are bound to gravitate increasingly toward Islamabad. Having refused during all these months to set up a bargaining counter *vis-a-vis* the Sheikh, the government of India is now left with but little option in Bangladesh. What is more, the continuous harping on the part of the Indian leaders, including Indira Gandhi, that much of their domestic economic difficulties are on account of the Bangladesh war, can only add to the irritation of the people across the border. And, finally, Farakka has already begun to cast its shadow.

Gold

Pampering a Barbaric Relic

THE sudden turn-round in the fortunes of gold has served to emphasise once again how illogical, even insane, the functioning of the international economic system often is. Some months ago when the dual gold market arrangements were ended, the free market price of gold had sunk to almost half its present level. Even the most enthusiastic champions of gold, who want restoration of the medieval gold standard era, could not have imagined then that the price of gold would shoot up in the manner in which it has in the last three months. In the London market gold was quoted at $ 90 per ounce on November 23, 1973; it stood at $ 178 per ounce on February 27, 1974.

The speculators' hold on the gold market which had seemed to weaken in the latter half of 1973 appears to have been strengthened once again. Though the gold price has now come down slightly to around $ 160-165 per ounce, there is talk that by the end of the present decade it will touch the stupid level of $ 1,000 per ounce. It is well known that France and South Africa are behind the powerful gold lobby. But it is surprising that the other Common Market countries should have been persuaded to consider putting gold to monetary use by allowing transactions in it at market-related prices.

The price of gold — whether the official one or the free market one — is a completely artificial price. The commercial demand for gold cannot absorb even 50-60 per cent of the current production. All through the last two centuries the importance of gold has been related to its monetary use. The major stocks of gold are still with the very monetary authorities who have completely dispensed with use of the metal for domestic monetary purposes. During the last year, it is true, speculators have absorbed almost all the gold that was produced. But it is difficult to understand why monetary authorities should play into the hands of the speculators and agree to raise the official price of gold in step with the market price when it is known that the latter is a highly artificial price.

The current difficulties, which have led to almost the shelving of plans to prepare a blueprint for monetary reform, present a good opportunity for slowly demonetising gold. Some central banks have been dissuaded from selling gold on the market by the fear that the Arabs would step in to purchase gold in a big way. The oil exporting West Asian countries are expected to accumulate huge balance of payments surpluses amounting to nearly $ 40-50 billion per annum over the next decade or so, until their demand for imports gradually rises to match their oil-earnings. Such large surpluses will in all probability tempt these countries to purchase gold. However, it is precisely this near-assured demand which makes it a sane proposition for the industrial countries to gradually unload their huge gold holdings on the markets over the next couple of years. This would not only help them to reduce the serious payments deficits which they are likely to face but would also be the best way of disposing of a barbaric relic.

IAS and IPS

Blood Brothers

OVER the weekend in New Delhi the chief ministers will be meeting in concord; the Political Affairs Committee of the Union Cabinet will also be meeting. Both will be discussing the food situation in general and the higher procurement price suggested for wheat by the Agricultural Prices Commission (APC). In neat juxtaposition they will also be discussing changes in the majority report of the Third Pay Commission with a view to narrowing the disparities between the Indian Administrative Service and the Indian Police Service.

It is already perfectly clear that the chief ministers are not satisfied with the higher wheat procurement rates recommended by the APC. These rates have now been raised to between Rs 90 and Rs 100 a quintal for different varieties; last year the recommended prices were between Rs 75 and Rs 85. The chief ministers will be demanding yet higher rates to satisfy their main financial and political backers, the big farmers. The excuse continually trotted out for raising procurement prices is that an incentive must be offered to the big farmers to encourage them to sell their produce to the government. But in practice, of course, more money will be made from direct sales to government and yet more money will be made through yet higher prices manipulated by perpetuating the shortages on the 'free' market. To placate that other winsome backer of the Congress party, the grain trader, the still-born wheat trade takeover will now be given a quiet burial.

But while the rich farmers and traders may temporarily be placated by these helpful measures, what is the likely reaction of millions of consumers of foodgrains going to be to the continued shortages and yet higher prices of these basic items of food? No doubt the chief ministers far-sightedly are also taking precautions against the possibility of unseemingly hungry mobs running amok. Thirteen chief ministers have already suggested that the IPS should be drawn up to a level almost on par with the IAS in its pay scales and status. The chief ministers have reportedly emphasised the increasingly 'onerous responsibilities' of police officers.

Some chief ministers favour complete parity between the IAS and IPS. The Madhya Pradesh Chief Minister, P C Sethi, has publicly expressed this view. But the majority of chief ministers being more realistic, realise that this would be rocking the bureaucratic boat. The top dogs in the bureaucratic hierarchy — the IAS — are not likely to take kindly to another service, the IPS, being raised up to their pay scales and status. Already in West Bengal, IAS officers have protested openly and vociferously against the appointment of an engineer as the Chairman of the Electricity Board, a position traditionally held by an IAS officer. Moreover, it can well be argued that IAS district officers are today as involved in maintaining law and order as are the IPS officers, particularly since the development funds are

dwindling and the people are getting more restless. In this sort of situation the IAS may well agree to the status of the IPS being raised up to a level just below itself but not quite on par.

The chief ministers have already sensed this attitude and are quite firm that no other class I services should be given the same boost as the IPS. They have turned down the demands of other class I services for narrowing the disparities between them and the IAS. The entire *raison d'etre* of the hierarchical bureaucratic structure would disappear if there were no clear stratification between — and within — the government services. But at the same time, compromises must be made to maintain the solidarity among the ruling politicians, the IAS, the IPS, wealthy farmers, and rich traders — and to maintain law and order.

T T Krishnamachari

Wizard in the Gallery

HERE was an unusual man. An educated businessman — one did not come by many like him in his generation — who went into politics early in his life, but there too never really fitted into the usual pattern. If he made the grade in politics, it was less because he had mastered the arts of politics and more because of what he was : a brash, bright person with an ample fund of bravado. That was also possibly why he did not endure long in politics.

TTK was no economist, certainly not in the accepted sense of the word. But his two spells as the country's Finance Minister will be remembered. His total tenure in the Finance Ministry did not add up to more than three years and a half. Still of all the Finance Ministers past and present, TTK stands out, mainly because he was unafraid of experimenting with new ideas.

His introduction of new taxes like those on capital gains, wealth and expenditure has to be seen in this context. Here was Nicholas Kaldor whom C D Deshmukh had invited to come and advise the government on tax reform. But Deshmukh, cautious as he was, had got Kaldor to come to India on an invitation not from the Ministry of Finance but from the Indian Statistical Institute of which he was the chairman. It remains a mystery how, in fact, Kaldor eventually came to sumbit his report to Deshmukh in his capacity as Finance Minister. However, Deshmukh resigned soon thereafter. It is tempting to speculate how promptly, if at all, Deshmukh would have acted on Kaldor's tax reform proposals.

As for TTK, he introduced the capital gains tax through a supplementary Budget within two months of his induction as Finance Minister in September 1956. In the regular Budget that followed, he was ready with his, diluted, versions of the wealth and expenditure taxes. It is doubtful if TTK even met Kaldor when the latter was in India on this particular mission.

The way TTK responded to Kaldor's report brought out the innovator in him. It may be recalled that while Kaldor conceived of a wealth tax purely as a personal tax, subjecting companies also to the wealth tax was TTK's idea which Kaldor subsequently endorsed. It is a matter of argument whether the manner in which he diluted Kaldor's proposals is to be ascribed to TTK's realism or lack of commitment to egalitarianism or to an irresistible urge to put his own stamp on things. Nevertheless he left a mark on the Indian tax system through all the various measures — not just the Kaldor reforms — that he authored during his stewardship of the Finance Ministry.

Despite this, or perhaps because of it, TTK did not endure long as Finance Minister. But for Nehru's tenacity, his political career could well have ended when he was forced to resign almost on the eve of the 1958-59 budget on an issue which did involve a question of propriety and where TTK could not disown his own responsibility. Nehru succeeded in inducting him back first into the Cabinet and then into the Finance Ministry, but only after a gap of some five years. By then Nehru's health was failing him.

What lost TTK the position he had regained is a subject of speculation. That he did not get along as well with Shastri as with Nehru may be true, but that need not have caused him to resign. Could it be that it was his own impetuosity rather than Shastri's lack of confidence in him that brought things to a head? Whatever made him resign then, what prevented Indira Gandhi from recalling him? To many he did seem the answer to her search for a financial wizard. Had she recognised him as such, it may not have made a great deal of difference to the economy whose current problems go far beyond the reach of financial wizardry. But TTK would have died more fulfilled.

Maharashtra

The Maratha Revolt

Our Maharashtra Correspondent writes:

CHIEF MINISTER V P Naik is facing yet another challenge to his leadership. It is ironical that trouble within his own party should have broken out just when it had seemed that he had scotched the attempts of the opposition parties to jointly launch a mass agitation against his government.

Unobtrusively, but effectively, Naik was able to give a non-Maharashtrian vs Maharashtrian twist to the agitation threatened by the opposition parties. In this he was supported by the Shiv Sena. He was able to successfully convert the mass popular discontent into a linguistic issue and to suggest that the so-called 'thali beating' agitation last month had been launched under the inspiration of 'Gujarati capitalists and vested interests' with the objective of detaching Bombay city from the rest of Maharashtra. This was exploiting the Maharashtrians' memories of their bloody struggle for including Bombay in the unilingual state of Maharashtra in 1956.

The strategy paid off; the opposition parties and their leaders, afraid of being dubbed anti-Maharashtrian, quietly withdrew their agitation against the price rise and in support of a ration quota of 12 kgs of foodgrains per adult per month. Of course, it is a reflection of the weakness of the opposition parties that, despite the acute hardships suffered by the working class and by the lower middle class, they were unable to rebut the government's false propaganda.

While he has thus kept the opposition at bay, Naik's undoing has been his attempt to promote the political fortunes of some of his close political and personal associates. He had already managed to induct Jawaharlal Darda, who hails from his home district of Yeotmal, into the Legislative Council. Darda is the chairman of the Maharashtra Housing Finance Society and there have been allegations about his deals with housing and construction societies in Bombay and elsewhere. Naik then proceeded to include N K Tirpude, a Harijan and former Cabinet Minister, among the Congress candidates for the biennial elections to the Legislative Council on March 26. Evidently, it was Naik's plan to eventually bring Tirpude back into the Cabinet.

As soon as the decision to nominate Tirpude became known, Naik's adversaries in the party — particularly Vasantrao Dada Patil, number two in the Cabinet, Y J Mohite, Minister for Co-operation, P K Sawant, Pradesh Congress President, and Sharad Pawar, Minister of State for Home — told him that Tirpude's nomination was not acceptable to them. But Naik

proceeded with his plan and got Tirpude's nomination approved by the Central Parliamentary Board. On his return to Bombay, Sawant, Vasantrao Patil and Mohite threatened the Chief Minister with a revolt in the Congress Legislature Party. They also informed the Prime Minister that if Naik insisted on Tirpude's nomination, he would have to face not only the possible defeat of Tirpude in the election but also a split in the hitherto united Congress party in Maharashtra. The Prime Minister, never very favourably disposed to Naik, asked the Congress President, Shankar Dayal Sharma, to cancel Tirpude's nomination.

The fiasco of Tirpude's nomination is a major setback for Naik, for his opponents were using the issue to prepare the ground for his ouster from the Chief Ministership. The withdrawal of Tirpude's nomination is being used by them to convince the fence-sitters in the Congress Legislature Party that the Prime Minister is not averse to a change of leadership in the state. Y B Chavan's discreet silence over the issue is similarly taken to suggest that Naik no longer enjoys his support as he used to.

The campaign against Naik appears to have been carefully planned. Its sponsors have taken every care to see that, unlike in the case of the move to oust Chimanbhai Patel in Gujarat, the party does not get divided over the issue. With very few exceptions, there is complete unanimity among the politically and numerically dominant Maratha Congress legislators on the question. What is less certain is that this unity will be maintained over the question of choosing Naik's successor. In fact if Naik manages to stay on for a while yet it will be because of differences over the question of succession. Similar differences, it will be remembered, had earned a reprieve for Naik in 1971 when Shankarrao Chavan had staked his claim to the Chief Ministership.

Sugar

A Matter of Irrelevance

THE current sugar season is in its sixth month. It had opened on a note of abundance in contrast to the 1972-73 season. Sugar production had increased by almost 7 lakh tonnes in 1972-73 and initial forecasts placed production this year at 4.5 mn tonnes. On the basis of such optimistic forecasts, pressures were mounted on the government for making large exports and for reducing the excise duty. On February 20 a spokesman of the co-operative sugar factories placed production at 4.4 mn tonnes and exhorted government to restrict domestic consumption to 3.5 mn tonnes and export 9 lakh tonnes. He also urged that the excise duty on free sugar should be cut from Rs 105 per quintal to Rs 30 per quintal. The government, when it considered the sugar situation on February 27, placed the likely output at 4.3 mn tonnes. It decided to watch the situation carefully and promote exports to the maximum.

Subsequent reports have suggested that sugar production this year may not exceed 4 mn tonnes. Production upto the end of February was 25.19 lakh tonnes which was 1.4 lakh tonnes lower than the production during the corresponding period of the last season. There have been no convincing explanations of the decline in sugar output. Reports from the north at any rate indicate that factories are getting ample supplies of cane.

In recent years consumers have been made to pay high prices for sugar by industry and the government irrespective of the level of production. In 1971-72 sugar production declined from 3.7 to 3.1 mn tonnes. The annual average price rose by about Rs 100 to Rs 280 per quintal. In 1972-73, production improved and touched 3.87 mn tonnes. The annual average prices, however, rose further to Rs 395 per quintal. In December 1973 the prices in the Bombay market were around Rs 420. Currently they are around Rs 410. Inspired reports of lower production, larger exports, rise in excise duty and increase in tariff value had kept the price of sugar firm.

In the event, the Budget has not touched sugar; the tariff value has also remained unchanged. Nevertheless, not only have the prices not declined but there has been some further rise in them in the northern markets. The sugar mills are hesitant sellers and speculators are active buyers. It is perhaps irrelevant to blame the mills and the traders for the level of sugar prices. The government is very much a party to their nefarious game.

American Academics

Charity Begins at Home

Dhirendra Sharma writes:

THERE has been strong — and justified — criticism in the United States, particularly in some sections of the press, about the Government of India's attempts at restricting the flow of US scholars. All sorts of motives have been ascribed as reasons for this restrictive attitude, including US policy over Bangladesh in 1971.

Whatever the reasons for the official Indian attitude, it is about time the more thoughtful sections of the American press and academia began to examine their own country's ludicrously archaic policies regarding entry of foreign scholars or, for that matter, ordinary visitors into 'the promised land'. Open door policies must be reciprocal. The US Government, however, ensures that no foreign scholar critical of American political sensibilities enters that country. A foreign applicant is required to disclose information about his political beliefs and declare his membership, if any, of national and international organisations. If the applicant has been to a communist country or ever been associated with a leftist organisation, the US Government generally refuses to grant even a tourist visa. For example, Professor A L Basham, the noted British orientalist and author of "The Wonder That Was India", was denied entry because in the depression years of the 1930s he had belonged to a leftist movement. The Mexican novelist, Carlos Fuentes, has continually been refused transit visas for passing through US territories, due to his leftist writings. Professor Bhagwat Sharan Upadhyaya's visa was revoked by the US Consulate in Paris because in Calcutta he had signed a note against American involvement in the Vietnam war. Professor Upadhyaya, who is a well known authority on ancient Indian history and culture, was *en route* to Ann Arbor to attend the International Orientalist Congress. The assembled American orientalists hosting the Congress at Michigan University did not protest against their government's treatment of an Indian colleague, even though many of them had enjoyed Indian hospitality on several occasions.

Compared to this American orthodoxy, India's entry rules are most liberal. Indian embassies and consulates abroad never ask any American scholar or visitor whether he has ever criticised India's Kashmir or Nagaland policies or whether he has ever visited South Africa, Portugal or Rhodesia, with whom India has no diplomatic relations. Nor do Indian officials enquire whether the American applicant has belonged to the Ku Klux Klan or the John Birch Society. Whereas American scholars openly critical of India and its policies are usually allowed to come here without any fuss, Indian scholars even slightly critical of US policies are brusquely debarred from entering the United States.

The resumption of an open door policy must begin in Washington.

Calcutta Diary

A M

THE democratic process marches on. In the columns of a Calcutta newspaper, letters from assorted readers, offering comments on the relative rates of economic growth in this country and, predictably, China, receive the pride of place. Ah, well, some of these letters are found to grunt, the Chinese might have made better material progress, they might have more to eat, better education and better health, but they have no freedom of expression, they do not have any democracy. Count your blessings, here in India the democratic process marches on. We still can call a skunk a skunk, and get away with it. We can choose, through the exercise of the free vote, our own representatives.

Are Elections Free?

Can we really? Are elections, everywhere in the country, free, unfettered, without interference or hanky-panky on the part of x, y or z? Why don't you, for a change, visit West Bengal? It is wearisome to return to the theme, over and over again. To an outsider, the allegations persisted on by opposition groups about the rigging of elections in this state might appear to be extraordinarily grotesque. The Chief Election Commissioner, very correct, was heard to remark that the kind of extensive vote-tampering alleged to occur in West Bengal is not 'mechanically possible'. The problem one faces is genuine, how does one cross the frontiers of credibility? India, mind you, is an honest parliamentary democracy; stray instances of monkey-business might occur during an election; some tendering of false votes, which mutually cancel out, or some similar subterfuge, is indulged in by nearly all candidates, or at least by their supporters. But the wholesale skulduggery alleged to have taken place in West Bengal — and repeated in the three by-elections last month —, boggles the imagination. And what does not fall within the immediate pale of one's experience is in danger of being ignored. The difficulty lies — didn't John Maynard Keynes say a long while ago — not in new ideas as such, but in getting rid of the old ones. Elections, according to the tepid bourgeois concept, are gentlemanly affairs, in the nature of almost friendly contests. The aberrations from gentlemanliness which have occurred in West Bengal are not covered in the lexicon. It is a common weakness, not to confess one's ignorance. The defence mechanism is therefore set in motion: Who says the elections are rigged; they are all right even in West Bengal.

Still, the facts stick out, and should give a queasy feeling. The Congress, according to the Election Commission, was returned with a massive majority in the West Bengal Assembly elections in 1972: on its own, it captured 216 of the total of 280 seats; its poll partner, the CPI, collected 36 seats. The opposition parties, which included that ogre, the CPM, were reduced to smithereens. The Prime Minister's magic wand finally did the miracle. Exactly a year ago, the CPM, along with its close adherents, had secured as many as 125 seats. Now, all those seats disappeared. The CPM's tally was reduced to a bare 13 seats. A revolution, but exclusively brought about through the ballot; so shouted the over-excited newspapers, not quite believing their good fortune.

You can keep on buttonholing people, earnestly telling them that the so-called election held here in 1972 was a sham and a hoax. Outside the state, there will be few takers. And yet, as they say, the record has to be set straight. Things happened in 1972, and again in the three by-elections last month, which cannot be even remotetely reconciled with concepts of parliamentary democracy one has read and heard about.

Threats

Consider the following. Ferocious-looking toughs, armed to the teeth, waving the Congress tricolour, and chanting the Prime Minister's name, visit each household in a particular area and inform the inmates that, on poll day, they will all be curfew-bound; if they so much as dare to stir out before five o'clock in the afternoon of that day, their houses will be burnt down and their limbs will be dissociated from their torsoes. On election day, similar-looking toughs, with sten-guns and daggers slung along their sides, closely scrutinise the assembly of people queueing up to vote outside the booths: whoever does not pass his/her test of personal satisfaction is pushed out of the queue and ordered to go home: these should not worry however; their votes will be taken care of by the toughs themselves. Another few hours pass, the polling agents of the opposition candidates are driven out of the booths, voters still waiting outside are curtly told that, even though it may be only 12 noon, the polling was over and they might as well enjoy a good day's rest. The crowd soon melts away, peace descends on earth. The presiding and polling officers look on — they, for dear life, can hardly do otherwise. The so-called printing press is swung into action. Sheaves of ballot papers are taken charge of by the hoodlums, the crossed mark is systematically rubber-stamped against the name of the Congress candidate, and the ballots are shoved into the ballot box. The job done, the presiding officer is asked to append the appropriate signatures, seal the box, and despatch it.

Obviating the Trials and Tribulations

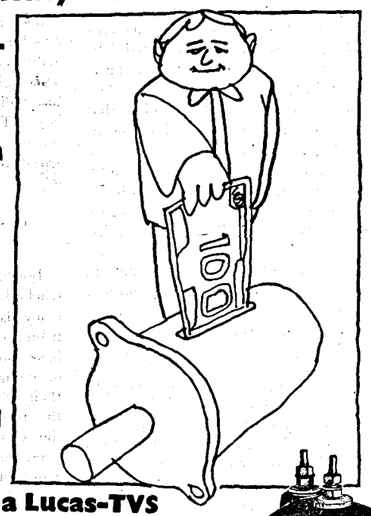
Bourgeois democracy has obviously reached a higher plane here. Democracy is for obviating the trials and tribulations of the people. The people have now been saved the tribulation of going to the polling booth to cast their votes. The thugs belonging to the ruling party have taken charge of the chore. Your suffrage having thus been compulsorily transferred to the gangsters, you can opt out of your obligations and responsibilities. The printing press will see to it that your vote is cast in the proper manner. There is, of course, the silly formality that a voter is suposed to sign — or affix his thumb impression — when receiving the ballot paper. Writing signatures, particularly other people's signatures, can be a time-consuming process, and the point of the printing press is that it can ensure the victory of the ruling party even before it has struck high noon. Thus, as some of the hoodlums mark the ballots with the rubber-stamp, a few of their colleagues are busy affixing their thumb impressions against the names of voters in the electoral list. Thumb impressions, in any case, have an inert, look-alike appearance; so no questions need be raised by anybody, and certainly not by the Chief Election Commissioner. And don't feign surprise if you are told that a number of Ph Ds in West Bengal's various constituencies, while receiving the ballot paper, failed to sign their names and only appended their thumb impression:

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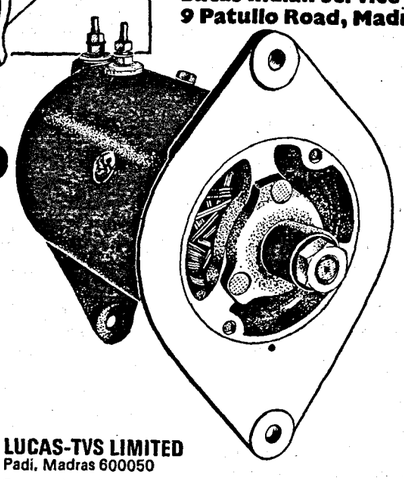
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most Ph Ds, who does not know, are illiterates.

This is not rigging: this is highway robbery, and has produced situations which mock all the known and unknown laws of probability. For example, going by the record of the serial numbers of issued ballots, in many booths voters have cast their votes exactly in the same sequence in which their names occur in the electoral list. It will be altogether tiresome to quote the scores of instances where the printing press has pre-empted the democratic process. But a cursory mention of what happened in the constituency of the most prominent communist leader in these parts will suffice. The constituency of Baranagar, in the northern outskirts of Calcutta, returned Jyoti Basu to the West Bengal Assembly, without a break, in 1952, 1957, 1962, 1967 and 1971. In the latter year, his formidable rival was Ajoy Kumar Mukherjee, twice elected Chief Minister of the state. Nonetheless, Basu won, by a margin of more than 13,000 votes, out of a total poll of a little more than 70,000. Barely a year later, in 1972, Jyoti Basu lost, to an obscure candidate, by a margin of 40,000 votes.

The miracle of the printing press is now being openly alluded to by Congressmen themselves, since the contestants in last month's by-elections were confined to different factions within the party. Depending upon whichever faction commands greater muscle power in a particular area, it has, in that area, succeeded in manipulating the printing press. For there are certain objective laws which attach to highway robbery. You cannot claim that the technique of the printing press is to be deployed only for doing the CPM in. The particular technique is bereft of any ideology: if two Congress factions fall out, either faction will attempt to use it against the other, and the one commanding greater support among the hoodlums will win.

Certain Norms?

This was how West Bengal was won in 1972. Certain fascist forces, the point has been made in recent weeks, are trying to take advantage of the situation in Gujarat for their own nefarious purposes. The pot is calling the kettle black. Last week at Santiniketan, the Prime Minister also referred to certain norms of political functioning. Does she have the norm of the printing press in mind, one wonders. The cultured norms notwithstanding, that the electoral process can be reduced to such an atrocious farce may be related to two factors. First, the large-scale terrorisation of the people by the social scum, who are flanked and protected by the forces of law and order. Second, a pervasive demoralisation in all walks of life. The Naxalite ideologues, who wanted to usher in the revolution through terror, have merely succeeded in leaving behind a listlessness; terror has given way to counter-terror. Iron has entered the soul, everybody knows the kind of shennanigan that goes on in the name of elections, but few believe in the efficacy of collective protest any more. Even attempts at organising mass agitation against the goings-on, will, you will be told, be subject to attack by the hoodlums, and the police will benignly watch from the sidelines.

Babe in the Woods

That babe in the woods, the Chief Election Commissioner, has obviously to be informed about the facts of life. What, according to him, is not 'mechanically possible'? To prevent, through the threat of physical liquidation, legitimate voters from trooping to the polling booths? To capture a polling booth and drive out the agents of opposition candidates with the tacit co-operation of the police? Having captured the polling booth, to operate a printing press in the manner described? Each of these phenomena happened in West Bengal in 1972, and they were repeated last month. He who pretends otherwise even when fully posted with facts either does not want to see, or is a fake.

Bourgeois democracy has its plus points, of course. In the nation's capital, Parliament meets, a Bhupesh Gupta indulges in good-hearted banter with a Y B Chavan; in the evening, members of Parliament, including those belonging to the opposition, attend an official reception, maybe they watch a lissome Yamini Krishnamurti dance a *varnam* in Mohini Attam, or listen to Ravi Shankar play a rare *raag* on one of his increasingly rarer visits home. Maybe you even invite a Noam Chomsky come and deliver the Jawaharlal Nehru memorial lecture. When an opposition M P happens to pass her in the corridor, the Prime Minister is charming, solicitous of his health, full of the graces of life. And yet, barely nine hundred miles away, things and events happen, in the name of the Prime Minister, under her implicit authority, and for ensuring the perennial authority of her party — things and events, to find an adequate parallel to which, one has to turn to either Thieu's South Vietnam, or to the fading days of the Weimer Republic in Germany in the early 1930s.

CAPITAL VIEW

The Silly Season

Romesh Thapar

THIS is our silly season. The internal situation of a competing food and oil shortage notwithstanding, almost daily that thing called a VIP is being given the 'red carpet' at Palam airport. Goodness knows why it is so-called in international parlance. I would have thought the diplomatists would have changed the colour by now. However, the scene at Palam is a sampling of what goes on with variations all over the world (yes, even in Peking!) at considerable cost to national exchequers.

Some hundred local VIPs (known in certain places as 'Spivs'!) assemble for the hand-shake led by either the President or the Prime Minister, sometimes both. A couple of thousand motivated clappers and slogan-shouters are already in position, obviously brought there by bus. Everyone is apparently pleased with having 'arrived', as it were.

The ceremonies at the airport are fixed on the basis of protocol. Ambassadors, anxious to get on, do try to press a junior flunkey in the Foreign Office for an extra 'touch' of friendship and joy. The obedient Press corps, never tiring of repetitive ritual, often misses these touches and has to be briefed. The speeches are dull and fatuous. They are designed to be. Smiles and more smiles. Hand-shakes and more hand-shakes. The ever-increasing tribe of high-born on the tarmac remember to wash up later.

Tourist Infrastructure

There is then the drive — ceremonial or otherwise — into town or along

a route which speeds the arrival at Rashtrapati Bhavan, or along roads specially 'manicured' with whitewash and red earth. Portraits of the VIP adorn various road junctions. The flags of the nation visiting are very visible, even among the tattered, coloured bedspreads which hang miserably on other posts. Groups of unemployed hang around for a feeble cheer. The police, the security boys, are everywhere. The gunmen are particularly noticeable. They look like the local bad characters.

The motorcade, as it is called, passes. It consists of large cars imported against Air-India tickets as part of the local 'tourist infrastructure'. Curse that expression! A sophisticated 'T' in a sophisticated circle announces this fact. Feel sorry for the tourist if he wants a car just then. They are servicing VIP tourists.

Well, the visit proceeds. The inevitable ritual at the samadhis of Gandhi and Nehru, occasionally of Shastri, with the power houses in the background polluting everything in sight. Ring Road is a Death Row in more ways than one. But these generalisations are irrelevant, and in bad taste. So, let's get on.

The talks have begun. These are the guts of the business, and are conducted with a certain efficiency. Don't judge this activity from what the *communiques* say. They are intended to 'cover up'. A lot of bally-hoo goes into their phrasing these days. There was a time when Jawaharlal Nehru used to dictate them to his secretary after dinner.

Such Involvement

But this is not all. The extraordinary delegations which accompany these VIPs have to 'involved'. Full programmes are worked out for them. It does not take much staff work. Visiting points are familiar. Places of excellence — at least, as long as they continue to be excellent under the pressure and disruption of VIP visits.

A constant briefing goes on by 'spokesmen of the government'. They are very special people who talk endlessly without revealing anything. The more skilful, the more sought after. We children of the *Gita* are specially adept at this work. We do not reveal. And our statements can be variously interpreted. Radio and TV naturally do the needful.

Of course there are the lunches and the dinners. They get so boring that lists of guests have to be personally supervised by the powers that be to make nations look more than merely bureaucratic. Napoleon set the style. We are still trying desperately to imitate him. As for the menus they taste of every cuisine in the world.

Endless Moronic Round

Everyone breathes a sigh of relief as the final communique or joint statement receives the appropriate signatures. And presents are exchanged. Only nominal? Not really. Sometimes, fabulous. Cost of one: Rs 50,000; only recently, so the story goes.

The flags come down. The slogans are removed. The portraits disappear. For a day or so we are normal — not fully, because the coloured bedspreads continue to flutter. A warning that another VIP will soon be visiting. And then up go another lot of flags and what have you.

This is a kind of shaggy dog story. It is spelt out in this way to try and persuade intelligent, creative leaderships to grow up and behave like mature humans. We do not need all this nonsense and make-believe. The world is aware of what goes on, and who is who. We are not a bunch of children. Let us build meaningful relations and a meaningful peace, but not in this moronic way.

Who is going to set the new style? At least here we can take the lead. Our resources position justifies it. And we will earn the blessings of so many harassed people.

As for foreign policy, let's talk about that later ....

March 11

LETTER TO EDITOR

'Operation Election'

THE article entitled "Nagaland: 'Operation Election'" published in your issue of February 2 gives a picture of the general elections in Nagaland, some aspects of which call for comment from this office.

It is stated in the article that the total number of voters belonging to the Assam Rifles, BSF, CRP and Border Roads Organisation enrolled as voters is nearly a lakh. This information is totally incorrect.

On representations made to the Election Commission in August 1973 in this matter, the Election Commission issued instructions to the Chief Electoral Officer, Nagaland, in regard to the registration of voters belonging to the Assam Rifles and other semi-military personnel. The Election Commission has been keeping a careful watch all the way through on the registration of voters belonging to the Assam Rifles, the Central Reserve Police Force, the Border Security Force and the Border Roads Organisation and has been in close touch with the Nagaland authorities in this matter. A total of 13,406 such personnel applied for registration. The applications were carefully scrutinised and disposed of. Finally, there were only a total of 3,644 such personnel who were registered as voters in Nagaland as they satisfied the criterion of being "ordinarily resident" in Nagaland. The breakup of this figure is as follows:

Military	8
Assam Rifles	1,923
Central Reserve Police	Nil
Border Security Force	120
Border Roads Organisation	1,593

This total of 3,644 personnel is less than one per cent of the total electorate of Nagaland which numbers 3,97,577. It may be recalled that personnel of the Assam Rifles, the Border Security Force and the Border Roads Organisation are often recruited in the region and are "ordinarily resident" in the area.

The Chief Election Commissioner has just returned from an extensive tour of Nagaland and has satisfied himself on the spot that the security forces are deployed only in regard to duties concerning National and State security and have nothing to do with the elections.

A N Sen

Secretary,
Election Commission of India
New Delhi
February 8

The Diversification Round

Hansavivek

RALLIS INDIA, which has been steadily widening its manufacturing base and diversifying its activities, is going further in this direction. It proposes to enter the field of electronics and to manufacture and assemble electronic and electrical equipment of all kinds, including components and accessories. Already engaged in the business of exporting frozen fish and marine products, the company now proposes to take up trawling for fish and marine products as well as processing, refrigerating, and freezing of marine and other products. The government has approved the company's proposal to set up a garment manufacturing unit for export garments and other textile articles; the company has been exporting garments. The company also intends to start production of basic and fine chemicals which will increase the formulation activities of the pharmaceuticals division. As a recognised export house, the company is thinking of establishing offices and branches and of incorporating new companies outside of India as part of export promotion. The company's manufacturing base increased substantially after the merger of Tata Fison Industries (TFI) with it on September 1, 1972. The cash flow generated, according to chairman J D Choksi, will provide resources for the proposed expansion and diversification. The company will shortly reduce its holdings both in Searle (India) and in Boehringer-Knoll to around 26 per cent — from the present 55 per cent and 48 per cent, respectively. The aggregate disinvestment will be Rs 26-27 lakhs. Both companies are proposing to make public issues in the near future, and the holdings to be sold by Rallis India will be offered simultaneously with the public issues.

The company's results for 1972-73 are not comparable with those of the previous year, as the latest figures include a full year's working of the erstwhile TFI. Sales and profits have increased considerably. Dividend has been stepped up by 2 points to 16 per cent. The increase is by way of silver jubilee bonus. The pharmaceuticals division continued to suffer from the price/cost squeeze, eroding profits despite a 20 per cent rise in turnover. The fertilisers and pesticides division had a very successful year, both in respect of turnover and profitability. However, the oil crisis is now casting its shadow on availability and prices of fertilisers. The hydro-sulphite plant is in the course of commissioning, but full commercial production can com-

The Week's Companies

(Rs in Lakhs)

	Rallis		CAFI		Excel Industries		Kirloskar Asea	
	Latest Year 31-8-73	Last Year 31-8-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-9-73	Last Year 30-9-72
Paid-up capital	393	300	534	534	95	95	40	40
Reserves	346	184	920	393	69	59	23	21
Borrowings	1650	1087	275	247	127	135	8	13
of which Term borrowings	117	113	—	—	32	30	—	—
Gross fixed assets	527	348	1570	899	282	262	51	47
Net fixed assets	340	197	1076	550	145	151	26	26
Investments	187	190	13	13	—	—	—	—
Current liabilities	1170	1249	406	290	109	100	14	10
Current assets	3038	2432	1047	903	239	221	60	58
Stocks	1403	1113	435	459	88	95	37	43
Book debts	1480	1200	610	442	136	117	21	14
Net sales	6246	5673	1640	1569	398	387	77	52
Other income	144	247	8	4	16	7	—	—
Raw material costs	4644	4604	593	451	149	129	49	34
Wages	553	408	170	136	70	58	10	8
Interest	193	138	15	35	15	13	2	2
Gross profit (+)/loss(—)	288	173	427	419	67	66	11	4
Depreciation provision	39	16	82	67	27	29	3	3
Tax provision	154	102	200	177	15	6	4	—
Net profit(+)/loss(—)	95	55	145	175	25	31	4	1
Development rebate provision	8	1	10	35	2	11	1	1
Transfer to reserves	32	19	1	6	8	5	—	—
Dividend								
Amount	P 4 E 51	4 31	E 134	134	E 15	15	E 2	1.60
Rate (per cent)	P6.66 E 16	6.66 14	E 25	25	E 16	16	E 5	4
Cover (times)	1.63	1.61	1.00	1.04	1.53	1.33	1.50	—
Ratios (per cent)								
Gross profit/sales	4.61	3.05	26.04	26.70	16.83	17.05	14.29	7.70
Net profit/capital employed	3.98	3.50	8.38	14.90	8.59	10.72	5.69	1.35
Inventories/sales	22.46	19.62	26.52	29.25	22.11	24.54	48.05	82.70
Wages/sales	8.85	7.19	10.37	8.67	17.58	15.00	13.00	15.38

mence only after the drastic power-cut imposed by the UPSEB has been restored. Mangalore Chemicals and Fertilisers, in which the company is committed to an investment of Rs 40 lakhs, is expected to commence production in the next agricultural year. The merchanting division maintained profitability, though shortage of power affected cotton consumption by the textile industry and consequently sales of cotton. The engineering division maintained its level of turnover; but profitability was slightly below that of the previous year mainly due to pressure on margins on fans. Sales of Wolf portable electric tools continued to rise and of JLO petrol engines showed a substantial improvement over the previous year. Sales of Rockwell machine-tools are steadily on the increase. The ceiling fans, manufactured by Rockwell India, have been well received in the market. The operations of Protein Products of India have been very adversely affected by the severe power-cut and the acute shortage of crushed bones which is the principal raw material.

CHEMICALS AND FIBRES OF INDIA has submitted a proposal to government for permission to import DMT, the basic raw material in the manufacture of polyester fibre, with an offer to earn the required foreign exchange through exports. Imports of DMT were progressively restricted from April 1973, in the hope that the DMT unit set up by Indian Petrochemicals would meet the needs of all polyester fibre manufacturers in the country. The company has serious doubts about the sufficiency of DMT in the coming months from IP, the only indigenous source of supply. Last year, CAFI made strenuous efforts to step up exports and was able to achieve exports worth Rs 94 lakhs against Rs 63 lakhs in the previous year. This figure is quite low compared to the total gross sales of Rs 38.63 crores. The directors point out that continuation of the export activity is entirely dependent on full utilisation of plant capacity and a healthy domestic market. The future in this respect, they say, is "highly uncertain". During 1972-73, production in the first two months was low, owing to a strike at the plant; again in the last one-and-a-half months production was low on account of DMT shortage. Since the plant capacity had been expanded from July 1972, total production of polyester staple fibre was 7,354 tonnes against 5,871 tonnes in the previous year. Profit-margins were slightly shaded. Higher provisions for depreciation and taxation left lower net profit compared to in 1971-72. Dividend is maintained at 25 per cent. The ratio of inventories/sales showed a decline over the year, but that of wages/sales was up. As at the end of the year, 122 employees were entitled to emoluments aggregating Rs 2,000 or more per mensem, as against 118 the year before. Out of 344 employees, who abstained from work initially, 76 resumed work during the year and 15 were regarded as having abandoned service. Approval applications to the Industrial Tribunal for discharging the remaining 253 employees were not granted. The company subsequently filed an application in the Supreme Court against the Tribunal's decision and the appeal has been admitted.

EXCEL INDUSTRIES is engaged in the development of a pesticide generally known as 'Endosulphan', which is at present imported. The company is seeking an industrial licence for manufacture of this pesticide, which is estimated to bring in annual sales of Rs 500 lakhs. The company has been granted a 'letter of intent' for manufacture of aluminium phosphide at Bhavnagar. The project is to be implemented with internal resources and will add substantially to the company's profits. Besides, the unit will qualify for relief in tax. Efforts are being made to increase exports of industrial chemicals. Last year, the company's exports amounted to Rs 8 lakhs. During 1972-73, production of metals, non-metals, and chemicals, was 6,452 tonnes, and of pesticides 1,963 tonnes — against 5,122 tonnes and 1,847 tonnes in the previous year and installed capacities of 9,195 tonnes and 3,950 tonnes, respectively. The Bhavnagar unit for elemental phosphorous showed a marked improvement over the year, but some of the other products suffered a setback on account of drought conditions in the country. Sales and gross profit were slightly higher than the previous year's figures, but higher tax liability reduced profit at the net level. Dividend is maintained at 16 per cent.

KIRLOSKAR-ASEA's production, even in the twelfth year of its existence, has been far below the capacity. Production of starters was 20,189 numbers against the installed capacity of 45,000 numbers, of HT circuit breakers 117 against 480, of LT switches 24 against 10,000 and LT switchboards only 2 against 300. Moreover, though the company has installed capacities for LT (air) circuit breakers (600), HT load break switches (400), HT switch boards (120) and outdoor isolators (320), there has been no production of any of these items. The company showed better results for 1972-73, with higher sales and earnings. Dividend was raised by one per cent to five per cent, and was covered 1.5 times. Production and sales during the last four months of the current financial year have been higher than those of the corresponding period of the previous year.

SWADESHI POLYTEX, encouraged by the good results for the year to September last, is having second thoughts on the question of issue of 'rights' shares for financing part of the overrun of Rs 110 lakhs in the cost of its project, although the company has already received consent of the Controller of Capital Issues. Meanwhile, the company has started accepting deposits from the public. Commercial production commenced in the middle of March, and production during the six-and-a-half months aggregated 2,329 tonnes against the annual installed capacity of 6,100 tonnes. Total sales, inclusive of excise duty, amounted to Rs 859 lakhs. The company earned a net profit of Rs 20 lakhs after providing Rs 68 lakhs for depreciation. The results would have been better still, but for the frequent power-cuts and heavy fluctuations in voltage that resulted in a substantial waste during the initial stages and serious shortage of DMT, the basic raw material, in the latter part of the year. The power shortage was overcome by installing diesel generating sets, but the shortage of DMT continued into the current year. If the supply of this raw material is ensured, the company expects to turn out "much better" results this year. The quality of the company's product, it is claimed, is comparable with that of the best-known brands of the world. The company has been able to produce the finer deniers, 1.2 and 1.4, hitherto not produced in the country. Also, for the first time, polyester fibre has been introduced in the decentralised powerloom sector. The directors believe that they will be in a position to clear all arrears of preferential dividends and also recommend a maiden equity dividend of "not less than 10 per cent" for the year 1974-75.

A Diffused Debate

Nireekshak

AFTER two years and more of prevarication and feet-dragging, the government now finds it expedient to whittle down the issue of diffusion of newspaper ownership to one of delinking the industry from big business. It is no longer fashionable to talk of diffusion, the demand for which was subtly engineered by the government in its rage over the allegedly unsympathetic role of the press when Indira Gandhi wanted to get herself a massive mandate in 1971.

The half-hour Lok Sabha debate on the subject on March 6 (hardly 25 members were present and there was not one visitor in the public galleries) yielded the solemn assurance from Inder Gujral that the bill for the delinking operation was getting ready. Gujral, who holds independent charge of the Information and Broadcasting Ministry, was rather apologetic over the government's backtracking after all its strident talk of diffusing newspaper ownership to instil a sense of commitment in the press to social democratic values. In a speech full of platitudes he tried to diffuse the issue with such aphorisms as "the baby should not be thrown away with the bath water" and newspaper ownership being a delicate matter which could not be dealt with like jute mills or cosmetics factories. He even listed the parameters of the delinking operation: (1) the press should be free from direct or indirect government control or interference; (2) the monetary vacuum likely to be created should not be allowed to be filled by *benami* transactions by vested interests; (3) the new ownership pattern should have regard for the economic viability of newspapers and the measure should ensure that no newspaper would close down as a result of the operation.

The alibi for the delay: A legislative measure should survive the test of legal validity. The Constitution was a hurdle. The uncommitted judiciary was a hurdle. In fact, anybody, but not the government, was to blame for the delay, if one were to go by Inder Gujral's *obiter dicta* in Parliament. The price-page schedule had been torpedoed once. The 10-page rule had been struck down. The Supreme Court's 1,700-page judgment on the 24th and 25th Constitutional Amendments had to be taken into account in drafting the proposed bill.

Surprisingly, all the nagging doubts seem to have arisen after an initial misadventure for which Inder Gujral might not be to blame. One of his ministerial colleagues, described as a friend of working journalists of a certain political hue, got some of them together and produced from under a hat, as it were, a far-reaching draft bill and surreptitiously got it into the newspapers. Everyone was made to believe that it was the government's own draft, soon to be introduced in Parliament. The Chairman of the Press Council wrote to the government to ask about it and the 'draft bill' was promptly disowned. The authors of the mysterious draft bill had gone about the job with the zeal of a demolition squad. But Inder Gujral has to sound cautious and pragmatic, having to backtrack on what someone else had done in his own game of one-upmanship.

The ownership of news agencies is a related issue. It inevitably figured in the debate. The demand for converting the Press Trust of India and the United News of India into public corporations has been a ritual with the Indian Federation of Working Journalists. The demand itself is neither new nor original. The Press Commission had recommended the conversion of PTI into a public corporation. That was some 20 years ago. The other agency of importance of those days, the United Press of India, collapsed and on its ruins arose the United News of India. These two as also the two Indian language agencies, Hindusthan Samachar and Samachar Bharati, owe their viability to heavy subsidies from the Central and state governments. PTI is the older and larger one and is more extensive in its operations because it gets a larger subsidy. Nevertheless, both PTI and UNI rely heavily on Western news agencies for their foreign coverage. Inder Gujral did some kite-flying once about the government's plan for an Afro-Asian news service but no one hears about it any more.

The Centre is now reviewing the subsidies it is giving the news agencies which find their operational costs going up. The Central government's touchiness on the question of converting PTI and UNI into public corporations is understandable. One should remember that less than 10 years ago the Chanda Committee had recommended conversion of All-India Radio into a public corporation and this proved embarrassing to the government. The government can manage news through news agencies as long as they depend on direct or indirect subsidies (in the form of All-India Radio's subscription for their services or in the form of subscriptions by various government departments or offices). It suits the government to let the agencies run in their present form just as it suits the government to keep All-India Radio under its direct control.

Those who zealously demand the conversion of the two agencies into public corporations are not very clear about what they mean. Do they want them converted into public sector undertakings by an act of Parliament or into organisations functioning under a charter from the President? Either measure would mean a sophisticated form of nationalisation, which could prove embarrassing to the government. There will be no way of delinking the news agencies from the government or big business influence as long as they depend on either.

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

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TAMIL NADU

Receding Waves

IF the results of the Pondicherry and Coimbatore elections show anything, it is that the much-talked-of waves, whether of the Indira or the MGR variety, are dying down. This was the first time after the 1969 split that the two factions of the Congress joined hands to face the electorate together. The Dindigul disaster where the ruling Congress polled only 2 per cent of the votes had definitely chastened Indira Gandhi as well as the local leadership and persuaded them of the need to get together with the 'reactionary Syndicate'. Besides, the Congress High Command had one eye on the UP election and wanted to disarm the Gupta coterie there by neutralising Kamaraj, a gambit that appears to have paid dividends. But the great expectations that the alliance had aroused among Congress supporters were largely belied as the two factions together could secure only 12 of the 30 seats in Pondicherry, the ruling Congress winning 7 of the 14 seats it contested and the Congress(O) 5 out of 16. ADMK won 12 seats and its ally, CPI, 2. CPI(M) won one seat, DMK 2 and one seat was won by a DMK-supported independent.

While the combined performance of the two Congress factions was better than what either could have expected to achieve by itself, the total vote shows the continuation of a steady declining trend in Congress popularity since 1964. The 54 per cent of the votes which the party had polled in 1964 went down to 44 per cent in 1969 (prior to the split) and to 35 per cent in 1974. Neither Kamaraj's mass base nor the Indira wave seems to have had much success in resurrecting the party's sagging image.

In Coimbatore, the Congress alliance lost both the Assembly and Parliament elections, but by close margins. The combined votes of the ruling Congress and Congress(O) are only slightly more than the Congress(O) vote in 1971. However, it is not without some legitimate cause that Kamaraj has "welcomed" the election results. Unlike in Dindigul eight months ago, where the ADMK polled more votes than all the opposition parties put together and where the Congress(O) had lagged far behind by 1,40,000 votes, the recent election saw a close race between the two parties. Both the CPI and ADMK candidates in Coimbatore scraped home with very narrow margins of 2,597 and 527 votes, respectively. The Congress emerged as a respectable runner-up. Kamaraj seems sure that all he needs is just one more election to stage a comeback.

For the DMK, the defeat has been total. True enough its position in Pondicherry has never been the same as in Tamil Nadu where it has had deep roots among the lower castes and classes right from its rationalist-atheist Dravida Kazhagam origin. It had no base in Pondicherry before Independence; the Congress and the CPI were better entrenched there. A late-comer to the electoral politics of Pondicherry, making its debut in 1969, the DMK rode the crest of the anti-Congress wave and bagged 15 of the 19 seats it contested, leaving only 10 seats to the Congress. As a divided party the DMK's recent showing was pathetic; it won only 2 of the 26 seats it contested. The only satisfaction that its leadership can derive is that compared to its debacle in Dindigul its performance in Coimbatore is better. A feeler put out by the DMK Mayor of Madurai after the recent electoral rout for merger with ADMK was spurned by MGR.

In Dindigul the ADMK had, in its first electoral appearance less than a year after its birth, swept the voters off their feet securing 52 per cent of the votes cast. And this in spite of the tremendous violence unleashed against its cadres by the DMK. In Coimbatore, where violence was confined to the customary limits, the ADMK-supported CPI candidate polled only 35.8 per cent of the votes, or only 0.6 percentage points more than the Congress(O). In Pondicherry, although it secured the largest number of seats, 12, the two Congresses together equalled its performance. The invincible party of only a few months ago is now forced to seek support from others to form a ministry.

It is possible that the fact of the merger of the two Congresses in Tamil Nadu and the hopes it had stimulated of a 'stable' and better alternative to DMK than what the ADMK could provide has eaten into the ADMK's erstwhile popularity. More significantly perhaps, the initial mass euphoria and hope that the DMK government could be felled by a single blow of the ADMK, reflected in the Dindigul election, has gradually evaporated, given MGR's inability to take the offensive and carry forward the mass protest movement in the face of the DMK government's systematic brutality against its cadres. The frenzied ardour of the masses for MGR seems to have cooled somewhat. The fact of the CPI(M) breaking away from the ADMK-CPI alliance, thus detracting from the latter's left image, must also be seen as a contributory factor.

The CPI in spite of its alliance with what is currently the most popular party — a convenient habit which seems to have become its method of survival — suffered a setback in Pondicherry which it claims as one of its strong bases. Contesting 7 seats both in 1969 and 1974, it won 2 seats and 7.4 per cent of votes this time as against 3 seats and 13 per cent of the votes in the earlier election when it had the support of the united DMK. The loss of the Mudaliarpet constituency, the stronghold of its stalwart and ex-minister, Subbiah, is a serious blow to the CPI. In Coimbatore, where it had mostly basked in the reflected glory of its senior partner, it barely managed to make it to Parliament. Its future prospects, in electoral terms, are bound to fall or rise with the vicissitudes of the MGR wave. It is now comfortably placed in Pondicherry because of the ADMK's failure to obtain an absolute majority. So, for the time being, its favourite tactic of discovering progressives among the Congress ranks is likely to be kept in abeyance to be revived at a time when the Congress faces better fortune. The danger that in the long run the process of shifting sides or its own peculiar interpretation of "unite and struggle" tactics might wipe out its own identity seems to be lost on its leaders.

To complete the circle of all-round poor performances, the CPI(M) fared badly too, ploughing a lonely furrow after its negotiations with the ADMK and CPI broke down over the Coimbatore Parliamentary seat and the attitude to the Congress. Contesting in Pondicherry for the first time, it won only in Mahe, bordering on Kerala. In Coimbatore, where in 1971, opposing the Congress(O) on the one hand and the DMK-CPI-Congress(R) combine on the other, it had polled 52,000 votes, in the recent election its vote went down to 36,000. The charisma of MGR and the possible apprehension among its own supporters that a vote for the

CPI(M) would only indirectly help the Congress to win probably explain its loss of votes.

All eyes are on Pondicherry now. After the usual waiting game, the omin-out reports of the Governor awaiting the Centre's reaction and the sabre-rattling of the CPI, the ADMK has been allowed to form a government which the CPI has joined. It is, however a moot point as how stable this government is going to be, for things could not be more evenly balanced in the Pondicherry Assembly. The ADMK-CPI alliance holds only 14 seats in the 30 member Assembly; with the conditional and critical support announced by the CPI(M) member this still forms only 50 per cent and makes crucial the role of the DMK-supported independent who announced the other day: "I am an independent candidate. What I should do has not yet been decided." The ruling combine has, in addition, to face the 'loss' of one member to occupy the Speaker's chair.

In true political style, making the best of a bad job, MGR went to the extent of publicly welcoming his party's minority status: "... if a party is returned with a huge majority, it might be tempted to ignore the people and behave in a dictatorial manner — Tamil Nadu is an obvious pointer." That a patchwork coalition is likely to be more amenable to horse-trading and shifting loyalties than to popular will has been till now the demonstrated experience in other states, ruled by the most colourful of this hybrid species, the Indira Congress. It is to be seen if Pondicherry will have better luck.

MONETARY POLICY

Window-Dressing

SELDOM, if ever, has the Reserve Bank's monetary policies been the subject of so much discussion. The December 1973 issue of the Reserve Bank's monthly *Bulletin* carries yet another exposition of the content, rationale and achievements of the recent restrictive credit policy measures. These measures may be broadly divided into those which directly raise the cost of money to the commercial banks and their borrowers and those which curtail the resources of the banks and impose an overall ceiling on commercial bank lending.

Among the first set of measures are included the raising of deposit rates, the Bank rate and the Net Liquidity Ratio (NLR) and the imposition of a minimum lending rate on non-priority borrowers. As has been repeatedly argued in these columns, in the immediate context of shortage of commodities and inflation, the operative significance of these measures is limited, though from a long-run point of view the upward push given to interest rates is all to the good. The immediate impact of the measures is bound to be limited because the extent of the rise in interest rates — whether in deposit rates or the Bank rate or the minimum lending rate — has been so small that it can be expected to produce no perceptible impact on bank credit. Even if the commercial banks were highly cost conscious — which is certainly not the case —, their commercial banking sense and concern for the economies of scale would persuade them to continue to expand credit so as to absorb the rising operating costs, including the additional cost of deposits, etc. As for the borrowers from commercial banks, interest costs, at their present level, are certainly no consideration at all for them. This is true particularly of the large borrowers who continue to appropriate the bulk of bank credit. (According to data for December 1972, the latest released by the Reserve Bank, large borrowers with credit limits of over Rs 1 lakh appropriate 80 per cent of total bank credit and those with credit limits of over Rs 5 lakhs about two-thirds.) A recent study based on the Reserve Bank's data on company finances shows that despite the heavy dependence of the corporate sector on bank and other institutional borrowings, interest cost formed a negligible proportion, from 2 per cent to 4 per cent, of total cost of production.

In the immediate context, therefore, it is the other set of measures, intended to restrict the loanable resources of the banks and impose an overall ceiling on their lending which seem more likely to be effective. But, unfortunately, these measures have been formulated and implemented in a half-hearted way by the country's central bank. This comes out only too plainly from the article in the Reserve Bank's *Bulletin* referred to at the beginning.

The article has this to say about the prescription of an overall ceiling on expansion of credit by the banks in the 1973-74 busy season: "The rationale of this new ingredient of policy was briefly this. Against the background of persistent increase in aggregate monetary demand in the economy, it was thought that some overall quantitative limit on expansion of credit was necessary in order to minimise the impact of bank credit on aggregate monetary resources." But what was the connection between the limit prescribed and the working capital and other credit requirements of various sectors of the economy? The article pleads that the assessment of requirements of credit "could not be precise". Quite true. The article then goes on to say that "a plan prepared by the Central Banking Authority, not on the basis of indents from the users and scrutiny thereof, but on general considerations and which moreover has to seek to cover the needs of thousands of industrial and other units, suffers from even greater difficulties and uncertainties". But need it have been so? Have we not been led to believe that the Credit Authorisation Scheme operated by the Reserve Bank is intended precisely to, in the words of the Reserve Bank's Report on Currency and Finance, 1972-73, "align bank credit with Plan priorities" — on the basis of "indents from the users and scrutiny thereof"? Similarly, the Reserve Bank's Annual Report for 1972-73 had claimed that the Bank's credit planning was based not on "general considerations" but on specific factors like the levels of output, stocks, prices, exports, etc.

The expectation that the Central Banking Authority's credit plans and credit policy measures will be based on something more than so-called "general considerations" is not a matter of aesthetic satisfaction alone. After all, a credit plan makes sense only if the actual credit expansion conforms to it, at least broadly. Such correspondence is, however, possible only if in the first instance the plan is formulated on the basis of assessment of actual working capital requirements, particularly of the large parties who come within the purview of the Credit Authorisation Scheme and who account for a large part of total bank credit. This in turn calls for the framing of norms with regard to the permissible levels of stocks, especially of scarce industrial commodities and raw materials like steel, cement, paper, non-ferrous metals, chemicals, etc. Unless the credit plan is based on such specific considerations, it is worthless and will be incapable of being implemented since neither the Reserve Bank nor the commercial bank will have any criteria by which to assess the demands of the large number of claimants for credit and to ration out credit among them so that actual credit expansion conforms to the plan in overall quantitative terms as well as in the allocation pattern.

In trying to establish the success of credit policy the article in question claims that commercial banks' advances against commodities covered by selective credit controls have declined from 11 per cent in 1970 to about 6 to 7 per cent in 1973. However, at the same time, the share of these very commodities at 22 per cent of the total credit expansion in the 1972-73 busy season is justified on the grounds that the credit went to mills and processing units, that these parties had to replenish their depleted inventories in 1973 and that the prices of industrial raw materials were 15.5 per cent higher than a year ago. First, it is factually incorrect to say that in respect of availability of raw cotton and oilseeds, the two major commodities covered by selective credit controls, the year 1972-73 was better than 1971-72. The output of cotton in 1971-72 was the highest and that of oilseeds was only marginally lower than in the previous year. In any case, the output of both these commodities in 1972-73 was hardly large enough to justify the disbursal of bank finance for substantial replenishment of stocks. As for the argument about the credit having gone to manufacturing and processing units, is the Reserve Bank really so naive as to believe that cotton mills, for instance, do not indulge in speculative buying of cotton? Finally, before the rise in the prices of industrial raw materials can be accepted as a justification for larger bank advances against them, it has to be asked what role bank credit itself played in bringing about the price rise in the first place by making possible large inventory holdings. In other words, was not larger bank credit the cause, rather than the effect, of the rise in prices?

The article also argues that the phenomenal expansion of Rs 878 crores in bank credit in the 1972-73 busy season was partly explained by the 7 per cent increase in industrial output. But if the expansion of bank credit is so closely linked to the rate of growth of industrial output, why has the Reserve Bank permitted an almost equally large credit expansion in the 1973-74 busy season despite an absolute decline in industrial output in 1973?

Considering that its so-called credit plan was not based on any serious assessment of the economy's requirements of bank credit, the Reserve Bank has necessarily had to take recourse to window-dressing to establish the success of its policies. It claims that it has been able to impound about Rs 430 crores of bank deposits through the 4 percentage point increase in the cash reserve requirement. However, at the same time, it has increased its lending to the scheduled commercial banks by Rs 230 crores between November 1973 and February 22, 1974. In addition, it has made available another Rs 165 crores to the banks by rediscounting bills under the New Bill Market Scheme. Thus it has augmented the resources of the banks by almost as much as the amount of the impounded deposits. Not surprisingly, therefore, as against the Reserve Bank's target of Rs 400-450 crores of non-food credit for the 1973-74 busy season, the banks have already lent over Rs 534 crores. In addition, another Rs 223 crores have been lent through bills under the New Bill Market Scheme, making a total credit expansion of Rs 757 crores for purposes other than food procurement. Including food procurement, total credit expansion works out to Rs 901 crores.

More recently the Reserve Bank has taken to mentioning the figure of bank credit after excluding export credit. This is an afterthought insofar as the target of Rs 400-450 crores for the busy season was inclusive of export credit. As things are, banks and their clients have used export credit as a loophole by inflating the demand for so-called pre-shipment or packing credit, banks' control over the actual utilisation of which is tenuous in the best of times. However, even if export credit is excluded, the expansion of non-food credit during the current busy season has touched Rs 645 crores already, including bills rediscounted under the New Bill Market Scheme.

The case for the Reserve Bank's New Bill Market Scheme rests on the ground, first, that compared to, say, advances against book debts bank credit extended through discounting of bills is preferable since the compulsion to retire the bills at the end of a fixed period enforces a greater measure of financial discipline and, second, that by creating a negotiable financial instrument which banks can rediscount with one another or with other approved financial institutions it will ease the process of matching supply of and demand for funds in the money market. These in fact were the objectives visualised for the Scheme by the committee which recommended it. But these objectives have not been even remotely achieved, though apparently there has been a sharp increase in the volume of bank credit extended against bills.

The seeming popularity of the Scheme is explained entirely in terms of the opportunity it affords to both the commercial banks and their clients to get round the Reserve Bank's credit control measures. The Reserve Bank, let it be added, has been a willing party to this subterfuge. Ordinarily, bank credit extended through discounting of bills should replace credit extended in other forms, say, against book debts. Actually, bills have been used to increase the total volume of bank advances after the possibilities of expanding credit in the traditional forms have been exploited to the hilt. This explains the spectacular overnight success of the Scheme which had shown few signs of life for three years between November 1970 and November 1973. Similarly, far from circulating among the banks, the bills invariably make a bee-line from the first discounting bank to the Reserve Bank. In effect, therefore, the so-called Bill Market Scheme has become a device for the Reserve Bank to take over a part — a fast growing part — of the credit expansion by commercial banks. Once a bill is rediscounted with the Reserve Bank, it ceases to be a part of commercial bank credit and the accommodation extended by the Reserve Bank through rediscounting it does not also figure in the commercial banks' borrowing from the Reserve Bank.

What could be a more cosy arrangement? The borrowers from the banks are enabled to increase their borrowings beyond what would have been available to them in the conventional forms — and that too at lower rates of interest than those charged on other advances —, the commercial banks are able to expand their operations untrammelled by the restraints imposed by the NLR and the reserve ratio and, last but not the least, while all this goes on, the Reserve Bank is able to claim that its credit squeeze has been a thumping success by pointing to the artificially low figures of increase in bank credit and of the commercial banks' borrowings from it.

What is worse, there is reason to doubt that many of the bills rediscounted by the Reserve Bank are in fact genuine trade bills. The Reserve Bank Governor had told the banks in November 1973 that they should "as far as possible resort to the New Bill Market Scheme to augment their resources". To facilitate this, it was decided to raise the amount, bills below which would not have to be actually lodged with the Reserve Bank, from Rs 2 lakhs to Rs 10 lakhs. The Reserve Bank Governor's injunction encouraged the banks to convert a part of their cash credit and advances against book debts into some sort of bills (signed by another bank by mutual arrangement). The raising of the limit for lodgement has further encouraged the creation of bills which are not genuine trade bills and whose purpose is only to avail of the rediscounting facility so liberally offered by the Reserve Bank.

Well of Violence

(From a Special Correspondent)

ON February 20 Bombay witnessed a mammoth flocking of Buddhists from all parts of Maharashtra for their march on the Sachivalaya to demonstrate their unity and solidarity under the leadership of the Republican Party of India. Precisely on the same day the minority population of Buddhists in Sonavale, a village 60 kms to the east of Kalyan railway station near Bombay, was subjected to a vicious attack by upper caste Hindus of the village.

Village Sonavale comprises three bastis — Sonavale, Khadakwadi and Khanderaopada. Sonavale consists of about 115 households of Kunbis and 16 households of Buddhists. Khadakwadi is situated about a furlong to the north of Sonavale and has a population of about 125, mostly Adivasis. Khanderao pada is about three furlongs to the north-west of Sonavale with a population of about 600 people belonging to the Mahadeo Koli caste.

The main occupation of the village is agriculture. A single crop of rice is grown here. The total land under cultivation is estimated at about 500 acres. One-fifth of it is owned by just four Kunbi families. The sarpanch of the village is from one of these four families. The average land-holding of the others, including the Buddhists, varies from 1.5 acres to 5 acres. None of the Adivasis in the village owns any land. They find employment as agricultural labourers, mostly on the farms of the four families with the largest land-holdings. They are employed either as Saldars or as casual workers on daily wages during the monsoon and Diwali seasons. The Saldars are given Rs 250 to Rs 300 per year in cash, a pair of clothes and meals. They have to work on the farms as well as in the households; there are no fixed hours for work and any holidays they get are entirely subject to the wishes of their employers. For casual workers, the day starts at 8 in the morning and ends at 6 in the evening. This ten-hour working-day fetches a meagre sum of Rs 1.50 for males and Re 0.75 for females. Besides, such employment is available for barely 100 days in a year.

The land in this region being not very fertile, the production is low. Even those with small pieces of land find the produce insufficient to last them for the year. Apart from the four Kunbi families, the rest of the villagers, whether Kunbi or Buddhist, have remained very poor. Invariably, those with small pieces of land do not possess the necessary means to cultivate them. The only flour mill in the village belongs to yet another Kunbi family. Thus the entire economic set-up of Sonavale village is in the hands of a few Kunbis.

There is one school in the village with 125 pupils on its rolls who can learn upto the vernacular final. There are in all five teachers belonging to this village, three of whom are Buddhists and the other two Kunbis. The Buddhist teachers are often transferred to schools far away from the village, thus compelling them to maintain two households, one at their ever-changing place of work and another in Sonavale. It was one such transfer that set in motion events which culminated in the violent attack on the Buddhists on February 20. A Buddhist teacher was transferred to a school seven miles away in October 1973. The teacher who replaced him is a resident of Sonavale and also a relative of the Sarpanch. Around November last year, the teacher who had been transferred out of the village and his family started getting threats to their lives. They lodged a complaint about this with the Foujdar of Munbad, listing the names of persons whom they suspected, all of them Kunbis. It is believed that one of the names was that of the Sarpanch.

In the village there are three wells, one of which goes dry as the summer approaches. Of the other two, it has been a long established tradition that one is used by the Buddhists and the other one by the caste Hindus or the Kunbis. For unknown reasons the water in the well used by the Buddhists started to get dirty and unfit for use around the middle of December. The Buddhists complained to the Sarpanch and some disinfectants were put into the well. But after a few days the water again turned dirty. The Buddhists were, therefore, forced to use the other well which was being used by the Kunbis. The Kunbis reacted very sharply to this. They prevented the Buddhists from drawing water and insisted on drawing water themselves and then pouring it into the vessels of the Buddhists. The Buddhists reported this insulting treatment to the Foujdar on February 7. The Foujdar came to the village on February 14 and held a meeting of the Kunbis and the Buddhists. The meeting decided that until the water of their well was fit for use again, the Buddhists should be allowed use of the well used by the Kunbis.

February 20 was Mahashivaratri. On the previous day a few Buddhist women who had gone to draw water had been brusquely prevented from doing so by Kunbi women who told them that they would not be allowed to draw water from the well as the water was to be purified for the 'abhishek' on the occasion of Mahashivaratri. As the Buddhist women were proceeding towards the well the Kunbi women are alleged to have caught hold of them and started to smash their vessels. According to eye-witness accounts gathered by this writer, in no time the men too rushed out and beat up the Buddhist women. By the time the Buddhist women ran back to their homes, the entire Buddhist area of 16 huts was surrounded by the Kunbis. The Kunbis, it is alleged, ransacked the houses and beat up everyone in the vicinity with sticks and agricultural implements. No one was spared, not even women and children. All the roads of the village were blocked so as not to allow anyone to escape or any outsider to witness the attack which continued for over an hour. Buddhists returning to their homes were accosted on the roads and beaten up. Many of the Buddhists suffered fracture of arms and legs and severe cuts all over the body; one of them lost an ear. Some Buddhists managed to escape through the jungles and by climbing over a hillock they were able to catch a bus to Munbad. Even they were manhandled and sought to be stopped from going to Munbad. It was only through the intervention of the other passengers that news of the attack finally got to the police at Munbad. Even so, the police from Munbad arrived at Sonavale only on February 22 and it was only then that the injured were given medical attention. As many as 26 people, including five women, had to be admitted to hospital. The police arrested 44 persons, including 12 women.

While the situation in Sonavale has now returned to normal, the attack on the Buddhists raises a number of questions. Why did the Kunbis who are themselves on the lower rungs of the Hindu caste hierarchy, launch such a vicious and organised attack on the Buddhists? Could it be because, while they may be low in the caste hierarchy, in Sonavale village itself they, or a handful of families among them, are economically all-powerful? Again, why have the Mahadeo Kolis and the Adivasis remained completely neutral over the attack on the Buddhists? Is it that in their eyes the land-owning Buddhists are no different from the land-owning Kunbis, though in terms of their general economic condition the Buddhists are not much better off than they?

Emergence of Regional Forces

M R

THE shouting and the sunshine have been restored to the hearts of all those trafficking in public credulity. But, in fact, the Congress showing at the mini-general elections, covering a fifth of the population, was neither sweeping nor spectacular; it failed to win even a bare majority in three of the four legislative assemblies it tried to capture with the help of the CPI or the Congress(O). But in Uttar Pradesh it won a victory of sorts. The victory might not be convincing because the majority is wafer-thin and the Congress had 271 members in the out-going Assembly, albeit a third of them defectors. The 1969 tally had been only 211 and the party had split since. Yet the UP verdict is claimed to be conclusive because the Congress has a house majority of its own for the first time since 1962.

More than anyone else, the Congress had attached great 'domino' significance to Uttar Pradesh, the power base of all the Prime Ministers to date. Had it failed there, its ministries in adjoining Bihar, Madhya Pradesh, Haryana, and possibly Rajasthan might have tottered to a crash, transmitting the party crisis to the Centre before the presidential election in August.

In the exultant euphoria of the technical victory, it might suit the Congress leadership to ignore some of the undercurrents in the Uttar Pradesh poll. The Congress vote had dropped steadily at every election since 1957 but it had still managed to get a disproportionately large number of seats. In 1967 the vote was low enough to off-set the multiplier and the Congress lost, getting only 199 seats. The late Ram Manohar Lohia's strategy, relying on anti-Congressism as the weapon, paid off. In 1969, the Congress vote was over 33 per cent and anti-Congressism which can be said to have begun after the 1962 India-China war (revealed at the string of by-elections the Congress lost in 1963), was yet to work itself out. In 1971, at the height of the Indira wave, the Congress raised its vote to 47 per cent for the Lok Sabha seats from UP.

The Grand Alliance of the rightist parties could not win in the Uttar Pradesh Lok Sabha poll and the Congress seemed to have regained the Muslim vote lost in 1967 and knocked together a caste constellation which made a vertical mobilisation of votes — from the Harijans right up to the Brahmins — possible, even if it meant the exclusion of certain intermediate castes. The limited opposition unity was no match for the Indira high tide.

In 1974, the opposition lost because it was divided. The Congress has polled roughly 27 per cent this time — a phenomenal drop since 1971 and therefore by no means a "massive mandate". With 27 per cent of the vote, the Congress has won 51 per cent of the seats. This means that a 35 per cent vote might have meant a landslide for Indira Gandhi just as a united front of the opposition would have meant a landslide against her. Anti-Congressism is back but there is no alternative focus to the Congress yet in Uttar Pradesh.

The Bharatiya Kranti Dal, essentially a party of Jat kulaks, could mobilise a good chunk of the Muslim and Yadav votes and could improve upon its 1969 performance not only in terms of seats but by extending its base to eastern UP. In 1969, its base was limited to western UP. The BKD made a bid for power by fielding over 400 candidates and the other principal opposition contenders for power, the Jan Sangh and the Congress(O), underestimated its strength. The Jan Sangh tried to live down the stigma of allying itself with the Congress(O) in 1971 and decided to bid for power on its own. Enthused by the Congress defeats in by-elections, the Congress(O) thought it could regain the states or emerge as the largest opposition party.

All the three contenders relied on the strident anti-Congress tone among the masses but did not reckon with the arithmetic of the situation. Almost every party of significance in UP has been in office some time or the other and the voter seemed bewildered until the last phase of the election campaign. The impressive BKD performance suggests that a regional party has greater credibility for the electorate than the numerous all-India parties in the field. This is true not only of Uttar Pradesh but also for the three other states and the one Union Territory which went to the polls in February.

In Orissa the Congress no doubt fared better than expected, belying confident predictions of a Pragati party sweep. The Congress could not win an independent majority but then that had happened only once — in 1961. The decline of the Swatantra party, despite its alliance with the Utkal Congress is significant. The Utkal Congress emerged as the second largest party though it had won the same number of seats as it did in 1971.

In Manipur the poll throws up the same pointer. The Congress-CPI alliance was decisively routed and the alliance of the Manipur People's Party and the Manipur Hill Union, both of them regional formations, pledged to greater autonomy for Manipur won a majority in the 60-member house. In Nagaland the Congress does not exist formally, but the party favoured by it, the ruling Naga Nationalist Organisation, lost to the United Democratic Front.

The by-elections from Coimbatore for the Assembly and Lok Sabha seats and Pondicherry Assembly elections are significant for several reasons. The Congress, which sought formal or informal alliances with the CPI in Uttar Pradesh, Orissa and Manipur, fought the CPI in the South.

The pattern of voting in the south defies the vague national pattern. Kamaraj's strategy lay in containing one of his three opponents in a new-found situation — the DMK rules Tamil Nadu, the Congress rules the Centre and the ADMK is emerging as the first party in Tamil Nadu. To a degree Kamaraj's strategy of a joint front with the Congress has succeeded. The DMK has already been pushed to the third position in Pondicherry and a polarisation of forces is indicated. The Congress alliance came very close to winning the Coimbatore Assembly and Lok Sabha by-elections even if it failed in its bid for power in Pondicherry. But the Congress combination still came second to the ADMK-CPI alliance in terms of votes as well as seats. A slow disintegration of the DMK before the next general elections in Tamil Nadu is a distinct possibility. And Kamaraj, who allied with the Congress to fight "anti-national, separatist and secessionist" forces like the DMK and the ADMK, will find himself fighting the ADMK. Even if the Congress alliance gains and edge over the ADMK, the principal challenge to the Congress will continue to be from a regional party and not an all-India party.

Overall, from Manipur to Uttar Pradesh to Orissa and Tamil Nadu, the Congress finds itself challenged by regional parties and not all-India parties. In many respects the picture in Uttar Pradesh might resemble the one that emerged after the 1969 elections. But the more significant fact is the serious erosion of Congress credibility since the 1971 wave which was still at work in 1972.

Though legitimacy and stability have

little to do with the size of a ruling party's majority, the Prime Minister chose to campaign around the slogan of stability in Uttar Pradesh. But Andhra Pradesh, Uttar Pradesh and Gujarat had to go under President's Rule not because the ruling party's majority was in doubt in any of these states. The improved Congress performance in Uttar Pradesh and Orissa does not even guarantee stability, leave alone any more useful benefits.

NAGALAND

Securing for the Sovereign

M S Prabhakar

ONE'S worst prognostications about the nature of the elections in Nagaland have proved to be incorrect. The United Democratic Front (UDF) has scraped through. This victory was undoubtedly due to the fact that, perhaps, for the first time, despite attempts at securing 'safe' blocks of voters in many constituencies, the elections were comparatively free and fair in Nagaland. Also, the fact that the UDF won, despite the attempts of the insurgents to obstruct the conduct of the elections, should give the lie to the belief popularly held outside Nagaland — and fostered by those whose job it is to keep a watchful eye over events there — that the UDF is actually a legalistic cover for the underground Nagas. That such suspicions have persisted can be seen in the extraordinary course of events that followed the elections and the peculiar behaviour of the Governor, L P Singh, before — and even after — inviting the UDF leader to form the new government. The final results were out on February 20, and the UDF (which had grown from 25 to 33 seats) elected its leader on February 23. And yet it took three more days before the Governor could invite the UDF to form a government. According to newspaper reports, "fundamental issues" figured in his talks with the UDF leader, relating to, among other things, the basic questions of sovereignty of the Indian state and the security of its citizens — a rather extraordinary step to take after "democratic" elections held under the aegis of a Government of India agency. But we live in extraordinary times, and Nagaland, very much like the other states in this region ("sensitive, border-regions", as these are tenderly described), is certainly an extraordinary state.

Now the question arising in the minds of most is: What are the prospects for peace in Nagaland? That peace is yet to be achieved is all too obvious — a series of attacks and counterattacks left more than 20 dead during the period of the recent elections. Undoubtedly, the attitude towards the underground was one of the major issues in the elections, and both the Nagaland Nationalist Organisation (NNO) and the UDF are in a sense committed to rehabilitating the 'rebel' elements. The UDF's motto was "By Faith Not Arms"; it never made any secret of its desire to achieve by constitutional means a final, negotiated settlement of the Naga political problem. And apart from the general points of attack on the NNO government — mainly regarding alleged corruption, conspicuous consumption, etc — the UDF tried to project itself as a group which could legitimately govern Nagaland and at the same time attempt a political solution to the Naga rebel problem. The NNO, being the government in power, could not talk of seeking a political solution, for its very basis of existence was that such a political solution had already been achieved with the establishment of the separate state of Nagaland. And yet even the most fulsomely loyal NNO leaders could not after all forget their own constituencies, could not afford to forget that "the erring young men" (as Hokishe Sema described the underground in his last year's Independence Day broadcast) did indeed strike a sympathetic chord even in the breasts of those villagers who had to suffer punitive action at the hands of the Indian army for giving them shelter.

But the winning of elections and the assumption of office brings along with it its own compulsions. The UDF despite all its attributed sympathy for the underground, cannot after all do much, and its actions anyway are going to be carefully watched by the multitude of central agencies operating in and around Nagaland. But even without the watchful eyes of the Governor and his agents, the UDF can be expected to be properly 'sobered' by the 'responsibility' of office. There are anyway fruits enough — nearly fifty crores of rupees — to help the UDF to move its thoughts away from the underground towards the job of 'development' for a while. And so, it would be the turn of the NNO to speak, though in a rather muted manner, about the need to arrive at a political understanding with the rebels. The Governor of Nagaland is soon going to realise that there was hardly any need for him to assure for himself that the UDF would be loyal to the Indian Constitution. The Indian Constitution — God bless it — is broad enough to accommodate within its wide consensus the Governor, the UDF, the NNO, the Independents with pliable consciences, in fact any and every one who does not take up arms against it.

But what about those who have taken up arms, those "erring young men" for whom both Hokishe Sema and Vizol show such tender concern? In fact, a way has already been discovered to contain them (or if you prefer, to 'rehabilitate' them). The large number of those who 'surrendered' on August 16, 1973, have been absorbed into a relatively new Naga Regiment and into the Nagaland Armed Police. Surely, a wonderful way to rehabilitate the erring young men. Those of them who were in the underground without a clear political understanding of their aims may now be expected to make rapid progress in their new pastures; they may even (as indeed they are expected to) become the most effective instrument in containing the really politicalised elements of the Naga underground.

It is no great secret that after eighteen years of army operations in Nagaland, the rebels have not been contained, much less defeated. So taking a leaf from the American book, the Government of India might employ the Naga people to fight the Naga people. Of course, politically and administratively, this has been going on since the formation of Nagaland. But the highly publicised 'surrender' of rebels most of whom had been living openly for years, and their absorption into organisations which are among the most actively repressive instruments of Indian state power, has to be seen as the latest tactic adopted by the GOI to contain and defeat the rebels in Nagaland. One recalls that the 'Vietnamisation' of the war in Vietnam frequently led to wholescale desertions to the 'rebel' side by Vietnamese units, fed, clothed, armed and trained by the Americans. But the walking over the rebel side was not merely a mechanical act of desertion; it was at least partly the result of a political understanding of the issues involved. In Nagaland, such a political understanding is lacking. But despite this lack of a clear political understanding, the GOI is anyway going to be kept on the run, and it will now have to keep a watchful eye on the Naga Regiment and the Naga Armed Police as well, not to speak of the NNO and the UDF. In fact, the entire people of Nagaland will continue to be warily watched by the Government of India.

Is Science Autonomous?

Radhika Ramasubban

Anatomy of Science by A Rahman; National Publishing House, Delhi, 1972; pp 95.

RAHMAN'S intention in writing this monograph-size book appears to be only to give a bird's-eyeview of the functioning of science and scientists in India in all its numerous aspects. For, while the probing tip of Rahman's scalpel touches every part of the anatomy, not a single aspect is dwelt on in any depth. The principal achievement of this tract is Rahman's penetrating observations which throw up a host of interesting questions and hypotheses to which later, more detailed studies can apply themselves. Also, this is the first systematic attempt by a scientist to take up an empirical study of scientific activity as practised in India seen against the backdrop of Indian society. The author's purpose in writing this book "is to draw the attention of the concerned people and start a debate rather than be content with a vague and generalised discussion based on the problems of the advanced countries. Further, such an effort may lead to a better appreciation and critical understanding and be of considerable help in the organisation of science and a better utilisation of the scientists in the country." Though he admits that the paucity of published literature and data on the subject has compelled him to fall back on personal impressions in many respects, one cannot shake off the uneasy feeling while reading the book that his observations prefer to describe manifestations rather than analyse the underlying socio-economic causes of the stagnation of Indian science.

Perhaps the most enlightening chapter is on scientists and the internationalism of science. Rahman is perhaps the only highly placed scientist who is clear about the adverse influence of the Western developed countries upon Indian economic and scientific development. He does not mince words when he talks of the pernicious nature of aid to underdeveloped countries under the guise of the internationalism of science. This, along with the participation of foreign scientists in policy-making bodies, results, on the one hand, in the moulding of the direction of scientific effort in the recipient countries in accordance with the economic policies of the advanced countries and, on the other, in foreign collaboration becoming a substitute for indigenous effort in those areas relevant to the country's basic problems. This, Rahman emphasises, is because Indian scientists and decision-makers *invite* foreign advice through their "open-door" policy. He sees the need for a deep and critical study to see why such a policy should exist in a country with "over a million scientists, a tradition of modern science for more than a century and a vigorous national policy of independence with defined social and political objectives." He wonders whether a deliberate policy of isolation from the advanced countries might lead to a more vigorous Indian scientific community.

Unasked Questions

His dissection of science as a social activity takes into account, among other things, the nature of scientific activity, its internal logic and the differing emphasis placed on different aspects of science in each culture-area in different historical periods, which must be explained "on the basis of social and political links of these areas of research and not on the basis of logical necessity arising from the growth of science." For example the areas in which the British scientists in India contributed were survey of natural resources, agriculture and medical problems directed by colonial British political and economic needs. Similarly, the emphasis on physics in the US today is directly linked with its nuclear programme and space research both of which are in turn related to their defence policy. The major thrust of his argument appears to be that contrary to the erroneous view of science as an apolitical, amoral activity without any social or cultural roots, "the criteria of choice of research problems and the scale of investment are not dictated solely by technical possibilities but by their relevance and need in the context of social and political problems faced by a country or society." He correctly observes that the universality of science and technology lies in methods and techniques rather than in specific solutions. The latter are a result of specific demands made on the scientific community in a given social, economic and political situation. In pursuance of this view of the role of science, he lashes out against those scientists in India who, trained abroad, on their return continue to work on problems in the areas in which they had their training, which are almost always current areas of research in the advanced countries. As a result, in the name of the internationalism of science, "outflows, attitudes and trends of development which are essentially the result of historical and social features of a different culture area are freely advocated and uncritically accepted ... in spite of their irrelevance to India."

However, after making this provoking and forthright observation, Rahman does not go further to ask why our scientists go abroad in hordes and why they are paid — it does not matter how much — by society to carry out irrelevant research if and when they return. Is this an autonomous phenomenon or is it the prevailing socio-economic conditions and the economic dependence of India in relation to the advanced countries which makes this possible? Although in a later chapter, as mentioned earlier, Rahman illustrates and analyses the manner in which the advanced countries impinge upon Indian scientific development and admits the economic and political implications of science, he does not actually show how these facts work out in the Indian context. Is there any such thing as a science policy? If yes, what determines it? How does it tie up with the national plans? What are the actual as against professed goals of these plans? How does the functioning of the Indian economy and its direct and indirect dependence upon the advanced countries affect scientific activity in this country?

In relation to these vital questions, Rahman, in spite of his manifestly radical approach to the role of science and its social relevance, falls into the same trap of a vague and generalised discussion which he is purportedly attempting to avoid. While he speaks of the shift of emphasis from one area of science to another in different "culture-areas" in different historical periods, nowhere does he explicitly or even implicitly attempt to characterise these different economic-social systems. He, therefore, cannot analyse what choices these different economic systems

dictate and consequently the course that scientific development takes under each system.

An important part of this book is devoted to the analysis of the Indian scientific community. His observations seem to indicate that most scientists are satisfied to work within a limited field and with limited objectives and are disinclined to raise either general philosophical or social questions. He finds, moreover, that "there are contradictions between their professed beliefs and their actual work. The instances of scientists opting out for reasons of belief are few." Another striking and paradoxical feature appears to be the widespread religiosity of Indian scientists; while some believe in the broad ideas of a religion, others participate in its ritualism, and some even go beyond and try to synthesise a religion with the latest discoveries of science.

Though Rahman's observations about the Indian scientific community are penetrating, he does not weave these into a theoretical framework which would lead him to look for the causes of manifestations. For example, as regards the fact that science has become a large-scale enterprise where men of science have become mere intellect-workers, masters of techniques with a limited outlook, and their discoveries confined to a specialised area, he only indicates that perhaps a compartmentalised educational system is to blame for this. Rahman does not see the need for going into the background of the introduction of modern science into this country and its subsequent interaction with the social structure in order to understand why "the religious indifference which is so widespread in the educated classes of the West has little counterpart among Indian intellectuals" — an anomaly which seems to perplex Rahman. He does not see that in the West it was the rise of capitalism which weakened the hold of religion and necessitated the growth of modern science. In India, on the other hand, the hold of religion continues due to the predomination of a feudal socio-economic order with its concomitant systems of thought and its co-existence with mere pockets of the more advanced capitalist mode of production which provide only narrow avenues for the growth of modern science. The compartmentalised educational system might be more fruitfully understood if we were to trace the history and objectives of the educational system and the conditions under which the modern Indian, Westward-looking, bureaucracy-minded, status-conscious intelligentsia was created by the British colonisers essentially to enlarge the comprador class. Rahman laments the "social isolation" of Indian scientists. But as he does not go into why they are isolated and from whom, we are left guessing about Rahman's own sociological viewpoint. Are they isolated from the planners? If so, the easiest solution would be to incorporate them into the policy/decision-making structure as Rahman suggests. Or are they isolated from the problems of the mass of the people by their alien language and bastard culture which they espouse following from their upper caste, middle class origins? Further, is not the present direction of science alienated from the basic economic and social problems of the majority of Indian society?

And as for his observation that scientists by and large opt for the *status quo*, this is the dominant characteristic of the intelligentsia depending for its existence as it does on the ruling propertied classes. By virtue of their possession of knowledge, some members of this stratum may be led to profess beliefs which are radically opposed to the ruling order but the objective conditions of their social role lead them to either completely capitulate or to continue to maintain the dichotomy between belief and practice. Only among a very microscopic few might subjective attitudes lead to the transformation of their life-style.

Seeking a Mahatma

Rahman finds that job opportunities and career appear to be the major motivation of Indian scientists as against commitment to the values or objectives of science. Consequent upon this, he observes, is a propensity to follow the dictates of those in power and the tendency for most debates in the scientific community to be limited to administrative matters and personal controversy. He takes care to mention however that a few scientists are exceptions to this rule. "However, till they come to dominate the community and become effective in a social situation they do not set the tone for science." Rahman, in the style of several others, appears to be waiting for a Mahatma, a Messiah to transform the scientific scene. What Rahman fails to see and stress is that the subjective attitudes of scientists as a community can change only when the objective conditions characterising society undergo a fundamental change.

Having outlined the salient features of the Indian scientific community, Rahman goes on to describe the functioning of scientists at four levels: as individuals, as groups of specialists, as social groups and as a community. The details relating to this aspect make interesting reading. To enumerate some: the politicking and infighting in the scientific community with personal social and political factors playing a dominant role; the unscientific manner in which the organised activities of scientists are conducted; the lack of a common code of conduct or value system operating in pratice; marginal issues being exaggerated to further divide the scientists and dissipate their energies. He is quite outspoken in his scathing criticisms of the functioning of organisations like the CSIR; the intrigues involved in by the "top brass" of the CSIR — their bias against independent technical judgment and their attempt to strengthen the administrative bureaucracy, discouragement of pilot plant work on the dubious excuse that it requires considerable investment and is a wastage of resources and efforts; indirect support for increasing import of knowhow and technology. And the committees which are constantly following earlier committees, observes Rahman, have firmly excluded working scientists from the decision-making process and have become instruments for manipulation by influential administrator-scientists in the interest of furthering their own careers.

Towards the end of his book Rahman deplores the lack of awareness of science as a "movement" and consequently the absence of any serious study of the history of science in India. He raises some pertinent questions: "Why science and technology did not evolve in India after having reached a particular level of development? Why the scientific and technological revolution did not take place in India as it did in Europe? Were the reasons inherent in the science of the country, the then prevalent philosophical outlooks or structure of society?" He emphasises the need for "generalists" to study and analyse in depth the involvement of science and technology with social, economic and political issues.

He ends on the hopeful note that perhaps the changes suggested in the working conditions in the field of education and science would lead to the transformation of science, of the role of scientists, and of the dimensions of science and its effectiveness in society.

In this manner, the scientific community would develop a national identity.

Peripheral Suggestions

There appears to be an implicit assumption running through the entire book that in India it is scientists who set the tone for science as a social activity. The fact of the elitist "top brass" cornering the choicest parts of the cake and conversely creating the wretched working conditions of the majority of scientists, according to the author, stands in the way of science becoming a tool for social transformation. One may not object to improving the working conditions of scientists and their inclusion in debates on organisation and policy. But will these reforms by themselves make Indian science dynamic and relevant to the country's problems? Will higher salaries make for greater consciousness among scientists who are a privileged class anyway in a country where economic and educational disparities are so pronounced? Democratisation of the scientific structure cannot by itself have any fundamental impact upon the *direction* of scientific activity in this country and its role in economic development. For in the ultimate analysis who are the decision-makers and in whose interests are the decisions made? Ultimately are scientists autonomous or are they willy-nilly part of the industrial and/or government machinery as long as they are dependent upon private industry or the government for jobs? In an unchanged social frame, Rahman's suggestions can only be peripheral and in no way fundamental. It is only a change in social structure, where science can play a more integrated and dynamic role, that can create the conditions for a socially relevant and purposeful scientific community. To bring about this transformation scientists alone are not the agents. So far as scientists are concerned, the conditions for a more relevant role would be created when they along with other politicised and active sections of society become conscious of the futility of their activity in the present socio-economic environment.

In the underdeveloped countries with their foreign-aided, "mixed-up" economies, where government does all the funding for scientific research, the social role of the scientist is far more significant than his professional role. When a scientist is able to analyse, understand and feel concerned about the nature of his society, he can reach out to other groups and work towards an egalitarian society where science will truly become a tool for a better life and where his research will acquire meaning.

Although Rahman prescribes greater social awareness for scientists, he does not seem to realise the contradiction that if they become socially aware, they will have to make a political analysis of the social structure and the role of science. Perhaps Rahman does not want to face the implications of his prescriptions; perhaps he prefers to remain 'apolitical' himself. On the whole, however, the book provides a valuable insight into the workings of an important area of social activity by one who is himself deeply involved in it. But far too great a wealth of observations has been stuffed into a slim volume which, because the material has not been too well organised, results in slightly disjointed reading.

SPECIAL ARTICLES

World Raw Materials Trade

Trends and Forecast for 1974-1980

Angus Hone

This paper aims to give an account of the present world raw material trade in the context of the 1973 commodities boom.

It also examines the likely development of the world economy in the period 1974/1975, focusing on the possibility of the oil cutbacks producing a serious recession in Western Europe, Japan and North America in 1974 and beyond. It attempts to assess the likely price developments in the period 1974/1980 as the full impact of the 300 per cent oil price increase begins to bite into the competitiveness of synthetic materials and to undermine the balance of payments position of the industrial countries.

Finally, the paper tries to identify the countries which are likely to lose and those which are likely to gain in this readjustment of past trends.

The 1973 Boom

THE extent of the boom in 1973 is immediately obvious from a survey of the major commodity prices and indices (Tables 1 to 6). A commodity-by-commodity examen confirms the basic accuracy of the indices. Metal prices continued to climb from October to December 1973. Only wolfram, nickel and mercury did not experience sharp increases in the course of 1973.

The level of grain prices shown in Table 4 reflects the recent activity in wheat and maize market in Chicago and Kansas City. The price rise in rice has been even more dramatic with Thailand and Burma imposing export quotas and the price levels exceed £ 125 per ton in the free markets. Cereals prices are likely to fall only by 20 per cent in 1974 as grain stocks worldwide are at their lowest level for twenty years, although rice prices may fall more sharply given low "effective" demand (i e, countries who need to import rice such as India and Bangladesh cannot pay for it). The prices of US, EEC and Canadian wheat and maize climbed throughout the 1972-73 crop season, ending 1973 at record levels; the price of soya beans increased by four times before falling back with the 1973 crop; oilcake prices doubled, while

fishmeal (another major protein source) for the animal feed industry (pigs and poultry) is virtually unobtainable after the continuing failure of Peruvian production.

The worldwide shortage of protein for animal feed is also partially reflected in the oilseed and vegetable oil prices shown in Table 5. Prices moved steadily up from October to December taking soyabean oil and copra above $ 500 per ton. The prices of some other major traded commodities have risen slowly (coffee, jute, etc) after sharp price rises in 1971 and 1972, remained steady (tea and sulphur), but in the main have risen sharply as Table 6 shows. Cocoa, cotton and wool prices fell back marginally towards the end of the year; rubber at 50 p per kilo and sisal at £ 375 per ton reached post-Korean War highs.

The distribution of the gains has covered the whole of the developing world from Chile (copper) to Sri Lanka (rubber). The developed countries have suffered deterioration in their 'terms of trade' by 10-15 per cent! Prices have risen in every major commodity group: grains, beverages, oils and oilseeds, fibres, metals and fuels. The gains to individual developing economies will differ enormously, but there is little doubt that the developing world as a whole has gained substantially in 1973 and will gain in succeeding years. The present set of increases in price is most unlikely to be wiped out in the period upto 1980 and the fall as a downturn develops in 1974 is likely to be limited to 20 or 30 per cent of the present price levels.

The extent of the gains in the basic price indices does not reflect the massive oil market price increases in 1973 from $ 2.00 per barrel approximately to at least $ 4.00 per barrel in October with further price increases to $ 8 per barrel now certain for early 1974. Petroleum is the dominant export earner for the whole world and the dominant traded raw material moving in international commerce. All traditional trade indices which do not reflect the rapid 1971-1973 oil price rises tend to underestimate the price rise in basic commodities. The most satisfactory solution would be a petroleum price index compiled separately, but then weighted into a basic index such as Reuters. The HWWA in Hamburg does have an index including petroleum which will be available soon in English.

A second problem accentuated by the 1973 boom is that the gains are inequitably distributed. A number of tiny oil states with a low population base should clearly be excluded when attempting to calculate the gains: Saudi Arabia and the United Arab Emirates do not have the same population base or development problems as Algeria, Indonesia, Iran, Iraq, Nigeria and Venezuela.

Third, a number of very poor developing countries in the Caribbean, Latin America and South Asia face sharply rising fuel and raw material import costs, which will make development exceptionally difficult unless a sensible discount formula is worked out based on two-tier pricing or arrangements are made for an automatic apportionment of some of the price increases to South Asia and Africa in the form of development assistance through an Oil Exporters' Development Fund or something similar.

The starting point of the present commodity boom can be dated from the signing of the Teheran-Tripoli agreements in the oil industry between the eleven OPEC countries and the major multinational oil companies in 1971. The per barrel increase negotiated "is approximately 50 per cent over 1969 as of the middle of 1971, and escalates to about 75 per cent of 1975".[1]

Prior to the 1971 agreements the crude oil price had been declining in real terms since 1963. The ability of the OPEC countries to extract higher prices and compensation from the majors for the depreciation of the dollar in 1972 and 1973 has been extremely impressive. The long-term weakness of the OPEC countries' position is that the marginal cost of a barrel of Persian Gulf crude is between 10 and 20 cents against the October posted price of $ 5.00/5.50 per barrel or the 1974 price of $ 11-12. Clearly any break in OPEC's united front would have the very serious consequence of causing a steep decline from the present floor of tax-plus-cost towards a price based on the marginal cost of production[2] plus a premium for scarcity and the high costs of developing new oil energy sources.

However, increased prices for oil became the basis for a worldwide interest in the environment and the exploitation of non-renewable resources, which was especially reflected in the work of the Club of Rome and the subsequent debate[3,4] arising out of the UN Conference on the Environment in Stockholm. The 'apparent' shortage of oil and the 'apparent' problem of exhaustion of the earth's non-renewable resources and a cutback in investment

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TABLE 1: 'THE ECONOMIST' INDEX OF WORLD COMMODITY PRICES
(1963=100)

	December 12, 1973	Percentage Change in One Year
All items	272.6	+ 60.2
Food	262.5	+ 36.8
Fibres	239.7	+ 59.5
Metal	437.8	+133.0
Miscellaneous	265.7	+ 70.3

Note: This index, although it is adjusted for trade volumes, does not include petroleum.

TABLE 2: LEADING COMMODITY INDICES

	4.10.1973	4.10.1972
Financial Times	185.27	96.31
Reuters	1180.00	647.90
Dow Jones (spot)	325.43	169.85
Moody's	637.3	438.2

Sources: Financial Times Market Reports, October 5, 1973.

outlays in the chemical industry from 1967-1971 combined to produce the realisation in early 1973 that basic industrial feedstocks such as petrochemicals, plastics and artificial fibres were likely to rise in price and suffer from supply shortages over the period 1971/1976. This shortage has developed rapidly throughout 1973, a year of exceptionally high demand growth.

At the same time, concern with pollution in Japan led to cuts in plastic production (particularly PVC). The whole problem for the chemical industry became critical from October 1973 after the Arab-Israeli war with the cutbacks in shipments by the Arab states and the complete ban on shipments to the Netherlands and the United States. Whatever the final consequence of the October-December 1973 cutbacks, their impact will continue to be felt throughout the first half of 1974 and a worldwide recession in 1974 will be unavoidable if the oil cuts are not gradually lifted early in 1974. Mere restoration of shipments to September 1973 levels would still cripple world growth upto 1980 as rising petroleum imports were a basic premise of the OECD countries' energy planning over the last decade.

The autumn of 1971 and the spring of 1972 saw the beginning of a major industrial and trade boom in the United States and the European Economic Community, which was in marked contrast with the depressed levels of worldwide economic activity (outside Japan) from the end of 1969 to the middle of 1971.[5] This boom continued through to the end of 1973 and accentuated raw material shortages throughout the world.

The failure of the international monetary system to stabilise following the dollar's devaluation and declared non-convertibility in terms of gold in 1971 was followed by the further 10 per cent devaluation in March 1973. The continuing strength of the EEC currencies and the Swiss franc from May-July 1973 was aggravated by the creation of negative interest rate barriers to 'hot money' movements by the European Central Banks and the revaluation of the German Mark at the end of June. Earlier in the year the Hong Kong and Singapore stock exchanges fell back steeply (by 60-70 per cent) from their February-March 1973 peaks and released large quantities of mobile funds for commodity speculation. The large Japanese trading houses had been buying commodities throughout the world from the middle of 1972 with the semi-official blessing of the bureaucracy, who realised that the yen/dollar parities could not be defended for ever and that a stockpile of commodities purchased at low prices in yen terms would be a valuable cushion for Japanese exporters during the subsequent period of adjustment. All these factors interacted with a substantial industrial demand for commodities to produce the present 70-80 per cent price increase in less than a year.

Endless comparisons are made between the present boom and the 1951 Korean War boom, but the similarities are not, in fact, very great. The increase in prices at that time did not affect all commodities — it was a war-based boom producing sharp gains followed by dramatic falls in rubber, metals, and certain key fibres. Second, the commodity indices did not suddenly jump 70-90 per cent within a year (see Table 7). In the last year the commodity index has risen from below 600 to above 1300 (more than 100 per cent) whereas the 1949-1951 increase was slightly less than 50 per cent. Third, the Korean War boom was temporary because it faced the immense US stockpile of strategic materials and metals, which were built up during and just after the 1939-1945 war and after the Korean War. This stockpile is now only a small fraction of annual world demand for rubber, tin and copper (the main GSA stockpile commodities). Fourth, the rate of growth and the size of the annual increase in world industrial output and hence raw material demand is now six or seven times greater than in 1951 and the shortages in key raw materials become evident in a very much shorter space of time. World stocks of all commodities at the end of 1973 are very low: the foodgrain positions in the United States and Canada have been run down from the time of the famines in South Asia and the shortages in China in 1965-1968. Surplus rice is not available as the major exporting countries, Burma, Thailand and the United States had poor harvests. Any remaining stocks of grain were severely reduced by the worldwide crop failures in 1972 and the Russian purchases of over 20 million tons of wheat and maize.

Copper is in short supply as a result of strikes in the United States and Canada and the political difficulties in Chile and Zambia. The stock positions of sugar, cocoa, coffee and oilseeds are low and all these crops have been partially affected by the 1972 or 1973 droughts. Wool, sisal and cotton have suffered from droughts and competition with cereals for land. Rubber expansion and replanting was limited as a result of depressed prices and threats from Japanese synthetic exports in the period 1969-1972. Overall, the position in 1973 in contrast to that in 1951 is one of shortages and low levels of physical stocks confronting a rapidly rising world demand, which is unlikely to decline significantly before the first quarter of 1974.

The oil crisis and substantially high prices charged for petroleum products have helped convince many raw material and fibre producers that higher prices are likely to continue unless there is a 1974 recession as a direct consequence of the oil cutoffs, which followed the Arab-Israeli conflict. The raw material prices may remain high even in the event of an economic slowdown if critical shortages of bunkering fuel prevent world shipping from operating at normal capacity in the first months of 1974. The decision of the Arab oil exporters to rescind a portion of their October cuts from January 1974 and increase shipments to most EEC member states and Japan is important as it makes it clear that the OPEC is fully aware of the interdependence of the world economy.

FUTURE OF COMMODITY PRICES

It is notoriously difficult to predict the future trend of commodity prices. However, there are a number of factors which can be analysed at this juncture.

The 1973 boom is almost certainly

a partial long-run adjustment in the terms of trade in favour of primary producing countries and if that is the case of the commodity indices are extremely unlikely to fall back to the 1972 average levels unless there is a major oil-induced world depression in 1974. Second, perhaps 25-30 per cent of the increase in prices is only a reflection of a fall in the value of the pound and the dollar against EEC and Japanese currencies and gold since the end of 1971. The bulk of the world's commodities perhaps as much as 90 per cent, are traded in dollar or pound prices and a mark-up was inevitable to provide a degree of price parity. Thirdly, commodities from March 1973 onwards become a hedge against falling values and instability in currency and securities markets. Throughout 1973 the two major currencies, the dollar and the pound, have been under severe pressure although the dollar recovered strength in the final quarter of 1973 and ended the year very strong against all other currencies. The stock exchanges had also been thoroughly depressed throughout the world. A large supply of dollars, Asian dollars and even 'all' dollars have spilled over from the stock exchanges and the gold market into commodities, although speculative buying has been much less important than suggested by some commentators.

These temporary factors will become less and less important in 1974 and beyond, but the basic shortages and the growing world demand, stimulated by a 10 per cent increase in industrial output in the OECD world, has led to undersupply and rising prices and it will take three to five years for adjustments to be made on the production side. The pessimism of the 1950s and 1960s boldly developed by Raul Prebisch at ECLA and during his period as Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) has bitten deeply and it will be very difficult for Latin America and Asia to sustantially increase production of food, fibres and industrial raw materials before the late 1970s. At the same time the food requirements of the developing world are likely to be under severe pressure throughout the decade. The expansion of plantation crops involves a 4-10 year wait before new plantings become fully productive. The development of mines and smelters for non-ferrous metals takes even longer whether it is undertaken by national firms or multinational groups. Similarly, new petroleum and feedstock capacity for petrochemical or synthetic industries involves a 3-5 year planning, construction and start-up cycle. All these delays and adjustment difficulties make it very likely that the commodity indices will fall only by a limited extent. The Reuters Index might be expected to stay in the range of 800-900 from 1974 to 1980, although a major world depression would clearly invalidate this projection and the present oil crisis makes zero growth in 1974 a distinct possibility, particularly as Western Europe and Japan have unprecedented balance of payments deficits.

Value of the Indices

The Reuters Index is not wholly reliable (see Table 8). Wheat 14 per cent, wool 11 per cent, maize 5 per cent and soyabeans 3 per cent are overrepresented if it is used as an indicator of the developing world's trade. Their share in developing countries' exports, as a percentage of world exports of these commodities, is small, although these commodities are highly significant in overall world trade. An index for tropical agricultural products was calculated using different weights for 1913 and 1953 by W Arthur Lewis,[6] but this fails to give a convincing picture as it omits metals as well as petroleum (which is excluded from all indices) and a number of fibres. This article will use the Reuters Index as a base adjusted for the products mentioned, with additional consideration given to petroleum, which had become more and more important since 1945, and manufactures, which have also grown very fast from 1960, although their importance is restricted to a group of 12-15 countries concentrated in Asia and Europe with only Argentina, Brazil and Mexico as important Latin American exporters.[7]

In Table 8 the weights used are important as is the omission of tea, timber, hides and leather, jute and sisal from the Index. However, it is a reliable index which only slightly overstates the price increases likely to be obtained by developing countries. It would clearly be useful if a new series of commodity indices were prepared using not world weights but weights chosen to reflect the base-year (1969) pattern of the developing countries' trade for all their export commodities and subsequently with the petroleum and the fuel sector excluded. The HWWA Hamburg indices go some way in this direction.

Table 3: Commodity Prices (Metals)

	5.10.1973	5.10.1972
Copper wire bars (£/ton)	818	425
Gold ($/oz)	99	65
Lead (£/ton)	187	124
Silver (p/oz)	112	75
Zinc (£/ton)	430	149
Tin (£/ton)	2183	1566
Aluminium (£/ton)	250	220

Table 4: Commodity Prices (Grains)

	5.10.1973	5.10.1972
Barley (home; £/ton)	49.50	27.50
Maize (US; £/ton)	52.50	28.15
Wheat (UK; £/ton)	59.50	33.00

Gains of Developing Countries

There is a group of economists who wish to play down the dimensions of the present commodities boom and its likely dynamic effect on the foreign exchange earning capacity and economic growth of developing countries and the balance of payment losses for the OECD countries. They argue that the real gains are limited. First, the devaluation of the dollar and pound, the major trading currencies, has meant that the higher-priced primary commodity exports will buy less in terms of raw materials and manufactured imports from the hard currency economies of the EEC, Japan and Scandinavia. This argument forgets that US, Canadian and UK exports in 1972 accounted for $ 93 billion out of total world trade of $ 400 billion[8] and that this group of countries and other developing countries selling largely in pounds and dollars supplied more than 60 per cent of developing country imports in 1972.

A second argument is that the foreign exchange reserves of developing countries were largely held in dollars and pounds and that as a result they have suffered losses in terms of their import capacity. In fact, many developing countries hold large portions of their foreign exchange reserves in gold and those countries holding dollars or pounds often trade mainly with other dollar or sterling area economies. In these cases the losses will be rather small and the revival of the dollar against the yen and EEC currencies in the last three months of 1973 has further reduced the validity of this argument.

A more important point is the role that a number of developing countries have as importers of primary products: foodgrains, metal and fuels. The losses to the Indian foreign exchange reserves in 1973 are estimated at $ 700-900 million on account of the purchase of foodgrains and oil alone. In addition, the cost of imported crude petroleum and non-ferrous metals has sharply increased over the last year wiping almost all of India's carefully husbanded reserves. India, however, is a special case with a very large population of nearly 600 million. The bulk of Latin American countries, most West African countries and almost all the mineral, timber, rubber and edible oil exporters in South-East Asia will gain substantially from the boom, although they will need development assistance from an Oil Exporters' Development Fund to counteract the impact of the oil price rise. The petroleum producers were already receiving the price increases negotiated at the end of 1971 and additional currency adjustments. The 1973 price increases have been even more dramatic. The losers are a small group, including South Asia, and unfortunately but predictably a number of the 'least developed' nations.

A more substantial objection is that the price increases reflect a shortfall in production and that most developing countries have suffered export volume losses which will wipe out a large part of the export price gains. There are shortfalls in wheat, rice, maize, soyabeans and wool, but only rice is exported in substantial volume by developing economies. Nevertheless, Argentina, Brazil and Uruguay have gained considerably. The production of fibres and oilseeds did not fall sharply from the 1969-1971 average levels. Cocoa has suffered from the West African drought, but the huge price rise (100-120 per cent) has more than compensated for any volume losses (25-30 per cent). The major exports are well up in volume and value in 1973 over 1972, although individual countries have lost export opportunities through partial supply side failures in copper (Zambia and Chile), groundnuts (Senegal), rice, maize and soyabeans (Thailand). The danger of volume falls wiping out gains has been exaggerated.

Table 5: Commodity Prices (Oils)

	5.10.1973	5.10.1972
Groundnut (£/ton)	288	176
Palm oil (£/ton)	182	95
Soyabean oil ($/ton)	300	210
Oilseeds		
Copra ($/ton)	360	145
Groundnut (£/ton)	156	112

Table 6: Commodity Prices (Miscellaneous)

	5.10.1973	5.10.1972
Cocoa (£/ton)	656	309
Cotton (cents/lb)	87	33
Rubber (p/kilo)	32.5	15.9
Sisal (£/ton)	266	108
Sugar (£/ton)	103	73.5
Wool tops (p/kilo)	276	205

Source: Tables 3, 4, 5, 6: Financial Times, Weekly Price Changes, 5.10.73.

The pessimists also argue that the gains in the period 1972-1974 will be spent slowly over the next five years and the value for the purposes of economic development will be diminished as a result of inflation in the prices of the required capital goods and intermediates, which will be largely supplied by the developed capitalist economies currently suffering from inflation of between 7-10 per cent per annum. It is certainly true that most developing countries will find it difficult to expand their development spending in line with export earnings, but part of the foreign exchange could be used to reduce tariffs and quotas at present protecting a number of highly inefficient domestic industries in developing countries and the surplus can always be used to reduce the burden of indebtedness.

A number of these pessimistic arguments were developed in a recent article by Hans Singer.[9] Singer does develop two major arguments which are entirely valid and do diminish the impact of higher prices on the growth of the domestic economies of the poor countries. First, a large proportion of the oil and mineral output is produced by 'enclave' sectors operating within the developing world. The additional receipts to national governments depend on ownership, taxation structure, etc; gross export gains often become quite small net additions to gross domestic product and fiscal resources. Second, a number of multinational companies operate in plantation sector exports and in manufacturing and in these sectors as in extractive industries such as oil and minerals the real gains will be limited by higher profit and dividend remittances. Both these arguments are correct, but in most cases the gains to developing countries are at least proportional to the growth of their gross export earnings which in 1973 has been massive.

It is forgotten by the pessimists that even a turndown in growth in the industrialised countries in 1974 and beyond will have favourable effects on the developing countries. The most dramatic and immediate effect will be a slowdown in the price inflation of 7-10 per cent per annum in the prices of developing country manufactured imports which has been experienced in the period 1968-1973. Second, the 1973 crop predictions indicate that prices of cereals of which the developing world is a large net importer will be considerably lower in the 1974-1976 period. Third, a world slowdown or recession is likely to produce substantial benefits in terms of better credit terms at lower interest rates and a slower rate of import price inflation for those developing countries purchasing capital equipment from and borrowing on the Eurodollar market.

The present year's expansion has taken place in the context of approximate developing world exports of $ 72-74 billion in 1972, which are likely to grow massively to $ 88-90 billion in 1973. Although a number of the poor and least developed countries have not benefited from the commodities boom, the impact on overall economic performance of the developing world will be massive in 1974 and 1975. International aid is currently running at around $ 7 billion per year, but this is dwarfed by the change in commodity price levels. "Speculation and demand in the world's commodity markets have given the commodity exporting nations an increase in foreign earnings that far exceeds the value of any international aid."[10]

The oil price increase alone has completely reversed the world balance of economic power. The 1968-1972 growth rate in world and developing country trade, although it partially reflects the devaluation of the dollar, is impressive and the progress of individual commodities is even more striking if compared with the 1963-65 average exports of the developing world. Table 9 reflects the likely 1973-1975 exports from the developing countries based on "expected" export volumes and a Reuters commodity index at 850 (i e, 35-40 per cent below its level on December 14, 1973).

Trade in certain commodities such as sugar, spices, tea and tobacco has grown slowly and these crops will continue to find outlets difficult in developed economy markets, but the potential for fruits and vegetables, beef and foodgrains and protein sources will be excellent provided the common agricultu-

ral policy of the EEC and Japanese protectionism can be gradually adjusted. Similarly, reasonably free access for labour-intensive manufactures will be dependent on adjustment assistance in the developed economies offering an opportunity for their politicians to grant 'guaranteed market access' to the rapidly growing industrial output of the developing world. The prospects will depend on a cutback in tariff and non-tariff barriers to trade,[11] which will not be lowered as the current account positions in Western Europe and Japan move into chronic deficit.

Unless the developed capitalist countries not only fail in the preliminary GATT multilateral trade talks scheduled to start in Geneva in November, but also manage to begin a trade war by raising industrial tariffs and quotas against each other, it is likely that the trade prospects for developing countries in the period upto 1980 will be good. Those countries able to overcome supply bottlenecks will benefit the most. Even an 8 per cent growth in export earnings will produce the pattern of export earnings for developing capitalist economies shown in Table 10.

A more detailed analysis of the long-term growth prospects of the developing countries and the interaction of trade and aid will be found in a more detailed paper[12] but my projections would have to be revised as they anticipated only a 20 per cent per annum increase in oil earnings between 1972 and 1980.

'Terms of Trade': Long-run Deterioration?

The majority of non-economists with in interest in development are firmly convinced that there has been a significant long-term continuous deterioration in the developing world's terms of trade, although the World Bank's recent "Trends in Developing Countries" (1973) shows only a 10 per cent decline from the 1950 high to 1970 and no deterioration at all from 1948 to 1970 or from 1963 to 1970. This conviction was built up from a very early United Nations study, which drew on an earlier League of Nations report.[13] This report became a key document in the subsequent work of Raul Prebisch and his disciplies in the Economic Commission for Latin America and, after 1964, at UNCTAD.

The reasons for the expected long-term decline were apparently straightforward. The income elasticity of demand for primary products is low. The increases in population in developing countries will force new entrants into primary production thus expanding output at low wages. There is clear evidence that technical progress has resulted in economies of raw material usage while at the same time a number of petroleum-based synthetic fibres have been developed, which have made severe inroads into the markets for natural fibres. Finally, these products are produced by or sold to large oligopolistic business groups who are 'price-makers' rather than 'price-takers'. A very clear statement of this basic position can be found in a short paper by Alfred Maizels.[14]

The Marxist position is represented by the work of Emmanuel[15] whose interesting and original thesis is based on the immobility of labour from the undeveloped world to the developed economies while capital moves freely from developed capitalist economies to the developing world and *vice versa*. Emmanuel is cavalier in his analysis of the long-term deterioration of the 'terms of trade'. He quotes the UN study of 1949 as well as the historical studies of the period 1880-1913 by Schloets, Silverman, Imlah and the Board of Trade for 1880-1916.[16] However, there is no attempt to refute or even discuss the recent work of Morgan[17] and W Arthur Lewis[18, 19] and no use of recent studies.

Morgan concluded on the basis of data reaching back to 1801 that primary product prices rose sharply relative to UK prices up to the 1860s or 1870s, fell slowly to 1913, experienced the full force of adverse world economic conditions upto 1950 and had not deteriorated in the subsequent period. The Reuter index based on September 1931 has shown no deterioration over the last 42 years. Helleiner concludes:[20]

> Effective attacks have been made both upon the data used and the theoretical analysis underlying the 'Prebisch thesis'. One is forced therefore to remain fairly agnostic about historical trends in the commodity terms of trade.

W Arthur Lewis's work ended in 1965 and there was a small but significant deterioration in the terms of trade for tropical agricultural crops. But the continuance of his figures using an average of 1972-73 production and prices and the addition of metals, fuels and manufactures would almost certainly correct Lewis' observed deterioration:[21]

> Between 1913 and 1950 the tropics passed through a long depression, associated with World Wars and adverse terms of trade. The rate of growth of tropical trade fell to 2.2 per cent per annum between 1913 and 1955. However, since 1955 the volume of tropical trade has again grown very rapidly, namely, by 4.5 per cent.

A final document is the UNCTAD paper prepared for the 1972 Santiago Conference in Chile.[22] The terms of trade referred to in this document are the 'net barter' terms of trade, which are defined as the ratio of the export price index to the import price index. The deterioration from 1954-56 to 1968-70 can be seen in Table 11.

There is little doubt that the 1971-1973 averages would show no deterioration if measured today and if the Reuters Commodity Index remains between

Table 7 : Yearly Average of Commodity Prices, 1947-53 (September 18, 1931=100)

1947	340
1948	387.2
1949	418.7
1950	512.7
1951	605.7
1952	545.4
1953	494.3

Source: Reuters Daily Index of UK staple commodity prices. Yearly averages.

Table 8: Reuters Index

Commodity	Weight	Quotations
Wheat	14	Canadian Western No cif UK
Cotton	13	American New Orleans/Texas good middling 1"
Coffee	11	Santos spot New York
Wool	11	Bradford 64's "B" Top Spot
Copper	9	LME–Settlement Wire Bars
Sugar	7	Raw cif UK London fixing
Rubber	7	No 1 RSS Spot London
Maize	5	No 3 Yellow American cif UK
Rice	4	USA No 2 Long Grain 10 per cent Broken Spot London
Beef	4	Argentine Boneless Smithfield
Soyabeans	3	American cif UK/North Continent
Cocoa	3	Ghana good fermented cif UK
Tin	9	LME Settlement
Groundnuts	2	Nigerian cif for UK/North Continent
Copra	2	Straits/Borneo F/M quality cif UK/Continent
Zinc	2	LME Settlement
Lead	1	LME Settlement

Source: Reuters London, 2.7.73

Table 9: Exports of Selected Commodities by Developing Countries ($ billions)

	1963-65 (averages)	1973-75 (estimated averages)
Petroleum	9.7	7.5
Coffee	2.2	3.5
Sugar	1.6	2.5
Cotton	1.3	2.2
Rubber	1.2	2.5
Copper	1.2	3.5
Timber	0.8	2.5
Iron ore	0.6	2.0
Tea	0.6	0.7
Rice	0.6	1.2
Cocoa	0.5	1.4
Tin	0.4	0.8
Bananas	0.3	0.5
Beef	0.3	1.5
Tobacco	0.3	0.6
Wheat	0.3	1.0

Source: For 1963-65 averages, G K Helleiner, "International Trade and Economic Development", London, 1972, Table 5, pp 36-37. For 1973-75 averages, my estimates are based on a Reuters Index of 850 (see Table 2).

Table 10: Developing Countries' Export Earnings, Assuming 8 Per Cent Growth Rate ($ billions in 1972 prices)

1972	74
1980	136
1990	290
2000	600

Source: 1972 — UN estimates; 1980-2000, calculated.

800-900 in the period upto 1975 the terms of trade over the last 20 years will not have deteriorated at all and probably will have improved by 5-10 per cent. It is true that the prices of raw material, intermediates and capital goods imported by developing economies have risen sharply in line with world inflation in the period 1971-1973, but they have risen only at 30-35 per cent of the rate of growth in commodity prices. Hence the sharp swing back in favour of the developing world. For instance, the United Kingdom terms of trade in December 1973 were 82 (1972=100), showing the extent of the gains.

This detailed examination concludes by suggesting that there is little reason to suppose that the long-term 'net barter' terms of trade have deteriorated if 1801, 1913, 1938, 1948 or 1954 is the selected starting year. The choice of 1870 or 1950 might show past deterioration, but the choice of base year for purposes of comparative analysis should neither be a cyclical peak nor a trough and if prices remain within 30 per cent of their 1973 peaks no base year could be used to demonstrate deterioration in the 'terms of trade'.

There are also reasons for supposing that psychologically economic policy-makers are interested in reversing the pressure to produce synthetic substitutes. Higher oil prices, energy shortages and pressures to reduce pollution have grown recently. Natural fibres are benefiting from these high prices and non-availability of petroleum and petro-chemical by-products and the partial exhaustion of the clearcut economies of scale which existed in the 1950s and 1960s. The possible taxation of pollution and non-bio-gradeable products will be an additional opportunity for natural fibre producers, while the export of smelting and refining industries will raise the developing world's share of industrial value-added. The long-run shortage of labour in both agriculture and manufacturing industry in the developed world may well encourage the export of beef, feed and fruit and vegetable products, open immense opportunities for expansion of fishing and timber processing and lead to a gradual transfer of labour-intensive multi-national industries to the developing capitalist world.[23]

Prospects for Individual Commodity Groups

This section is not a country-by-country analysis, but an effort to analyse the prospects for major commodity exports of the developing countries.

Food, Beverages and Tobacco

The basic shortages in 1973 span the whole foodgrains sector and affect the developing countries largely as importers. Latin American wheat and maize will become increasingly important but much of this surplus will go to China and the rest of the developing world given a record 1973 harvest in Russia. Rice is likely to continue to be in extremely short supply in the 1973-1976 period in contrast to the predictions of an overly optimistic and outdated article by Ridler and Yandle,[24] which accepted the myth of the 'Green Revolution'. The major problem in this sector is the limited ability of Asia and Africa to cut food imports in the 1970s. To a considerable extent they will benefit from lower cereal prices from 1974-1980 if they can raise exports sufficiently to finance food imports.

The export prospects for proteins and animal feed are excellent. Oilcakes, cassava, soyabeans and fishmeal are likely to be required to feed the increasing Japanese and EEC animal and poultry population. Oilcakes are likely to be a growth market[25] although demand for edible oils will grow only slowly in the rich countries, which complicates the production picture. Cassava has reached $100 million in 1972-73 and is likely to expand to over $300 million by 1976.[26] The market for soyabeans has become sufficiently a problem in EEC/US relations following the Nixon embargo of June 22, 1973 that it produced an article in *Le Monde*.[27] Finally, there are major opportunities for new developing country producers of fishmeal with the medium-term collapse of the Peruvian industry.[28] The long-term shortage of animal feed as well as the protein shortages will continue even after the major recovery of US maize and soyabean exports in crop year 1973-74 and will provide opportunities for newer producers.

The three major beverages, coffee, cocoa and tea, all face different problems. Coffee's price prospects upto 1980 are limited unless major expansion of consumption can be negotiated between the producers and the socialist economies of Eastern Europe and possibly Japan. Cocoa is a growth crop, which has seen expanding usage in the developed economies and the Soviet Union on a major scale. EEC consumption is likely to rise in the 1970s. Tea, in the absence of any multinational generic promotion, will grow at only 2/3 per cent per annum, but increased usage in developing countries could alter these growth prospects. Problems for coffee and especially tea exporters are likely to continue in the period 1974-1980 but some of the difficulties could be alleviated by a series of producers' agreements. Spice consumption is growing substantially, but a market of $150-250 million per annum dominated by pepper is only a small item in international trade. Sugar is a crop of major importance, but very little can be predicted until the negotiations between the EEC and the UK and the cane sugar producing Commonwealth territories are completed.[29] The French, through their Minister of Agriculture, M Chirac, will continue to unsettle world sugar markets until agreement on access for Commonwealth cane sugar and the level of the EEC's own marketable surplus is reached. The renewal of the International Sugar Agreement has become a further problem with the breakdown in Geneva in October 1973.

The world demand for bananas and citrus fruits and juices is unlikely to continue to grow at the same rate as in the period 1967-72, but growth of the Japanese and USSR markets will continue. The market demand and prices for beef, fresh, frozen or canned fish and fruits and vegetables will continue to grow very fast. In these items the developing countries' supply constraints

are more important than developed countries' demand, although reductions in EEC and Japanese tariff levels would be valuable. Finally, the world tobacco market will grow very slowly although the switch, from the high nicotine, United States and predominantly Virginia leaf to a wide variety of low nicotine and dark air-cured leaf from developing countries will continue. India must reduce the nicotine content of its tobaccos.

Raw Materials

The major items here are cotton and rubber (see Table 9). Cotton is in extremely short supply as prices were depressed from 1965-1971 as synthetic usage expanded. It is also a crop forced to compete for agricultural land with grains and oilseeds. Cotton usage in blended fabrics (with polyster) is growing rapidly and prices are likely to remain high,[30] although synthetic fibres may become unavailable if the oil cuts continue and will in any case face temporary feedstock shortages in 1974 and 1975.

The prospects for natural rubber have improved strikingly in 1973. The yen has been substantially revalued upwards, which has blunted the cutting edge of the major synthetic rubber exporters in Japan (250,000 tons in 1972) and this, combined with the oil and tallow price increases, has made the raw material feedstock prohibitively expensive for any new major synthetic rubber capacity. Finally, there is only a very small quantity of rubber left in the US strategic stockpile administered by the General Services Administration which is unlikely to depress prices unduly in the period 1974-1980, even if the United States and the producers do not agree on the phasing of its release.

Leather prices have fallen back from the inflated levels of 1972, but the demand is likely to continue at high levels given the high cost of synthetic substitutes. The world is suffering from a marginal overproduction of oils and fats, but coconut, palm oil and groundnut oil prices are unlikely to fall back to their 1972 lows. The prospects for jute, coir and sisal might even stabilise with the problems facing synthetics if India, Pakistan, Ceylon and the hard fibre producers could work out a joint policy.[31] Iron ore prices are likely to stabilise at 1974 levels as competition between Australia, Latin America and India becomes intense, but volume will continue to rise substantially, even given cutbacks in Japanese steel capacity expansion plans. Finally, timber exports will grow substantially in price and volume after a temporary setback in 1974

TABLE 11: CHANGES IN THE 'NET BARTER' TERMS OF TRADE OF SELECTED GROUPS OF DEVELOPING COUNTRIES, 1954-56 TO 1968-70

(Percentages)

	Total	Africa	Asia	Latin America
Terms of trade	—12	—11	—6	—19
Export prices	0	- 1	+3	— 5
Import prices	+13	+12	+9	+17

as a result of reduced building activity.

The prices for chemical and mechanical pulps for paper and newsprint have been artificially held down by joint pricing action throughout 1973, but Scandinavian and Finnish producers will find it very difficult to raise pulp prices in 1974 if the oil-induced recession deepens. The opportunity to raise newsprint and paper prices in 1973 should not have been missed.

Fuels

The dominant position in the developing world's exports from 1972 to 1980 is held by oil. Of the developing world's exports (at 1974 price levels) in 1980, 65 to 70 per cent or more will be petroleum or its by-products and the price at which this product will move is clearly critical. The present pries of oil exports have been imposed by a group of dominant suppliers, the OPEC countries, who are likely to be more and more important as United States domestic output is outstripped by the quantum demand growth for energy. The unity of the OPEC and Arab oil exporting countries can ensure that the present price level of $ 11-12 per barrel will be held and will continue to rise, but a detailed recent study suggests that[32]

> crude oil prices will decline because supply will far exceed demand even at lower prices, and because — a separate issue — there will continue to be enough competition to make prices gravitate towards cost, however slowly.

The difficulties are such that I shall assume that upto 1980 there will be no downward pressure on price and the OPEC countries will continue to work together. OPEC countries will not begin to refine and market their own crude in competition with the major oil companies, who by restricting entrants are in the happy position of being the OPEC countries' "tax collecting agency".[33] The period after 1980 may be different. The prices agreed from 1971 to 1973 and the prospective payments for 1975 and 1980 have no connection with supply and demand and a major effort is getting under way to develop alternative source of energy. When Adelman writes that prices "reflect no scarcity of crude oil present or foreseen", he may be failing to distinguish between "real" scarcity and "felt" scarcity.[34]

Increased competition might well break all OPEC agreements, particularly as[35]

> The cost of providing capacity and operating it in the big Persian Gulf concessions does not exceed 10 cents per barrel, assuming a 20 per cent return after tax.

The likelihood is that the control of the multinational oil companies will be removed slowly outside Libya. The US will pursue "strategic", high cost energy policies to the 1980s, but the OPEC will not remain united and prices of crude may eventually stabilise at their 1977-1980 price levels.

The present pattern of posted oil price increase, as shown below,

	($/barrel)
1971	2.00
1972	2.50
1973	3.10-5.60
1974	11.65

have been so sharp and such a dramatic reversal of falling real prices in the 1950s and 1960s that the future trend is impossible to predict. This situation is further complicated by the cuts in shipments imposed from October 1973 on Western Europe and Japan and the ban on shipments to the United States and the Netherlands agreed by the Arab oil-producing states.

In the long run a market price of $ 8 per barrel appears to be the likely breakeven point for shale oil in the United States and a further ceiling would be the $ 11-15 per barrel breakeven for petroleum products produced direct from coal. The snag is that the OPEC countries can impose a price of $ 8-10 while the investments are made in shale extraction and coal. Marginal oil could sell at $ 20 per barrel. The fuel sector's prospects will only be clarified later in 1974 when the price level and the supply cuts are disentangled.

Metals

Copper, tin, lead, aluminium, zinc and nickel are linked closely to world demand and prices are likely to fall back in 1974 from their very high December 1973 peaks reflecting the world economic downturn, although there are significant smelting shortages in aluminium, lead and zinc, which are likely to sustain prices above 1972 levels for several years and the limited quantities

of copper wire bars and major supply of tin in the United States stockpile can be absorbed by the market in the period upto 1980 without effecting present price levels too seriously.

Chemicals, Transport Machinery and Other Manufactures

More than 40 per cent of these exports at present consist of cotton and synthetic yarn, textiles and clothing. The long-term Textile Agreement already limits access of cottons and major importing countries under the auspices of the GATT have agreed to a new Multi-Fibre Agreement, which could effectively limit market access from 1974 for a wide range of rapidly growing clothing products in the developed capitalist economies. Similar restrictions are either in force or could be imposed on a wide range of processed food products, leather, leather manufactures and footwear, plastic and rubber manufactures, etc. Market access of the developing world's manufactured products is either limited or threatened by the so-called 'voluntary' agreements, but the 1960-1972 growth has exceeded 14 per cent per annum. The 1973-1980 outlook is for somewhat slower growth than in the last 12 years, but the developed capitalist world will gradually remove barriers to trade and establish adjustment assistance for industries affected by low-cost manufactured imports, although the outlook has been dimmed by the worsening OECD balance of payments prospects from 1974 to 1980.

The trade prospects for the developing world are considerably better in 1973 than they were in 1951 or even in 1960. The balance of economic power has shifted towards the primary producers, although any breakdown in the oil price agreements engineered by the Arab exporters and the OPEC alliance would radically alter this analysis. The price of a barrel of oil will be a critical measure in the period 1974-1980. The confrontation between the developed world and its developing counterpart will be about commodity prices — not aid or foreign private investment, although these two are often clearly linked to control of commodities. The producers can work together to obtain higher prices not only in oil, but in copper, coffee, tea, cotton, rubber and a whole range of less important primary commodities.

CONCLUSIONS

The 1972-73 boom represents a real shift in favour of the primary producing world and its export earnings. Commodity prices have risen dramatically as a result of shortages, currency uncertainties, speculation and a major expansion in industrial usage. They will continue to perform differently from prices during the 1950-1951 Korean War boom and are most unlikely to fall back to 1972 levels in the period upto 1975-1980. The developed world is likely to be forced to pay substantially higher prices for oil, metals, fibres and industrial raw materials such as rubber, timber and newsprint from 1974 to 1980. The future price levels will then depend on the speed of offshore oil, gas and shale oil developments as well as on new coal conversion technologies, but these developments can only be fully operative after 1980. For the next five years the OECD world is likely to suffer from substantially worsening 'terms of trade', lower rates of growth and massive balance of payments difficulties as a result of sharply higher raw material prices. An oil-induced recession in 1974 may slow this tendency and lead to temporary falls in raw materials demand and prices but the next five years will involve substantial readjustment problems whether the oil cuts continue or not. The success of the OPEC countries and the Arab exporters will certainly stimulate renewed interest in producer-based agreements for other commodities.[36]

The developed world will find growth more difficult now that the economic power of control of strategic raw materials has been so clearly revealed. However, their own rejection of commodity agreements in UNCTAD and other world forums in the 1960s is responsible in large measure for their present plight. A measure of redistribution of these gains from the Arab and OPEC oil exporting countries to the oil importers among the poorer countries through an Oil Exporters' Development Fund or some similar arrangement will also be vitally necessary if the non-oil poorer countries are not to suffer severe setbacks in the period 1974-80.

Notes

[This paper is a rewritten and reorganised analysis of world raw material trade and price trends based on data known in early January 1974 but draws extensively on an earlier paper "Export Earnings and the 1973 Commodities Boom: The Extent of Its Impact on Developing Economies", *PRODEC Research Paper No 2*. Helsinki, October 1973. I am grateful to Richard Blackburn, Hans Singer, Basil Cracknell and V Eradi for detailed comments on earlier drafts. Eradi has particularly helped me on oil prices.]

1 See M A Adelman "The World Petroleum Market", Johns Hopkins, 1972, p 251.
2 *Ibid*, p 261.
3 "The Limits of Growth", Pamela H Meadows, Dennis L Meadows, Jorgen Randers, William W Behrens III, London 1972.
4 Barbara Ward and Rene Dubois, "Only One Earth", London 1972.
5 See OECD Annual Economic Surveys for 1972 and 1973, Paris 1972.
6 W Arthur Lewis "Aspects of Tropical Trade: 1883-1965", Uppsala 1969 Statistical Appendix, pp 47-51.
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8 *UN Monthly Bulletin of Statistics*, April 1973, New York.
9 See *New Society*, August 30, 1973, pp 515-516.
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12 See Angus Hone 'World Trade Patterns and the Developing Countries, 1970-2000' in "Human Ecology and World Development" edited by Paul Rogers to be published by Plenum Press, London, 1974.
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14 A Maizels, "World Trade Trends and Problems of the 1960s", Woolwich Economic Paper No 7, London 1963, especially pp 8-10. Maizels is now Special Adviser to the Secretary-General of UNCTAD.
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23 On this last point, see G K Helleiner "Manufactured Exports from Less-Developed Countries and Multinational Firms", *Economic Journal*, March 1973, pp 21-47, and Benjamin Bohen's Yale Discussion paper No 177 on the same theme.
24 Duncan Ridler and Christopher A Yandle, "Changes in Patterns and Policies in the International Trade

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26 Truman O Phillips "Cassava: A Study of Utilisation and Potential Markets", IDRC, Ottawa, 1974 (forthcoming).

27 August 2, 1973. In 1974, however, US supply will be back to normal and production increases are planned.

28 See C O Idyll "The Anchovy Crisis", *The Scientific American*, June 1973, pp 22-29.

29 C Czarnikow Sugar Review No 1136, 19-7-1973, p 127.

30 See Cotton Outlook, Liverpool, 1973.

31 Angus Hone, "A Strategy for Exports from Bangladesh", *South Asian Review*, July 1973, pp 303-311, and the Committee on Commodity Problems, FAO Rome 1972 — "Jute" and "Hard Fibres".

32 M A Adelman, "The World Petroleum Market", *op cit*, p 1.

33 *Ibid*, p 250.

34 *Ibid*, p 253.

35 *Ibid*, p 253. See also Zuhayr Mikdashi "The Community of Oil Exporting Countries", London, 1972, for an interesting account of OPEC's work.

36 See Paul Streeten, "The Terms of Trade Are Not Made on Paper" *Ceres* 26, Rome 1972, pp 34-38; and Irfan-ul-Haque, "Producers' Alliances among Developing Countries", *Journal of World Trade Law*, Vol 7, No 5, Sept/Oct 1973.



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Taxes and Incentives: Myth and Reality

Contributed

The net result of this year's budget will be to give an even larger slice of the national cake to those whose share is already disproportionate to their size or their contribution to its making.

The argument that a cut in personal income-tax rates was necessary to check tax evasion could have been taken a little more seriously had the measure been accompanied by a widening of the tax base and by other steps to make the tax system more equitable and efficient, of which the most urgent was the adoption of the family as the tax unit. In fact, the trend is in precisely the opposite direction.

Similarly, the campaign for lower tax rates on the ground of incentives is a case of special pleading by the already well-off. To think that the economy will be revived by submitting to their demands is to build one's hopes on myth, not reality.

EVER since the Wanchoo Committee picked on tax rates as the 'first and foremost' reason for evasion and called them a disincentive for working and saving, pressure has steadily mounted to get them slashed. Not only will evasion vanish, ran the argument, but people will be glued to work as never before and investments will flourish once again, if only the government promised to take away less out of incomes in taxes. The obviousness of the proposition was driven home by speaker after speaker at august tax conferences and underscored indignantly by financial journalists from time to time, all cocksure of the case for reduction of tax rates. Some economists also lent their imprimatur to this pressure, overlooking what the literature on the subject has to say and what the empirical findings are. And now the government has fallen for this line. There is, however, another side to the story.

It is useful to begin by looking at the way progressive taxation of income influences the supply of work effort in a community for, as one illuminating article on the subject[1] put it, "this question lies at the centre of the controversy" on incentives and shows how illfounded popular notions on economic issues can be. The most commonly held view, of course, is that one's desire to work varies directly with the return one gets and inversely with the tax one pays out of income. Hence the higher the tax on incomes the weaker is the urge to work and the stronger is the temptation to remain idle, the assumption evidently being that work is painful and leisure pleasurable.

But is that so? Can the executives, in the public and the private sectors, who are often so vocal about the disincentive effect of the income tax honestly claim that anyone of them started working less hard when the tax rates for their income brackets were raised? Given the option how many of them would prefer to sit back at home instead of going to work simply because they have to part with a larger portion of their income than in the past? To quote Peston, "Nowadays, one would surely argue that a great deal of work, or being at work, is pleasurable and being at home is not". For "the return from working is not merely income as narrowly defined, but includes items in kind (from luncheon vouchers to trips abroad), power, prestige, security and an almost endless list of interests and pleasures".[2] Besides, for most people who are in employment, the option to vary the work-hours just does not exist and even if they had such option, many would probably react to a cut in their pay by working more to make up the loss rather than less. The nature of the response would of course vary depending on the age, sex and family responsibilities of the earner. A young bachelor may find a particular tax rate a disincentive to effort — though it is difficult to imagine that the number of such young men can be sizeable in a country where unemployment is so high — for a young family man it may be an incentive. Similarly, a man aspiring for promotion is unlikely to work less or less well as a response to income tax.

Even if high taxes deter some from making any extra effort to earn more, for the society as a whole that may not always be a bad thing. If, for example, overworked top doctors decide to see fewer patients, or successful lawyers take fewer briefs, the clients who are lucky to get their services will probably gain more in terms of better attention than the loss suffered by those denied the perfunctory care of expensive experts. Again if some university teachers find it less paying to take up odd jobs like lucrative consultancy assignments because of prohibitive taxes and devote more time to teaching and research would one call that an undesirable outcome?

The response to a tax rise may thus be quite diverse and the total effect is not easy to predict with any confidence. Broadly, however, one may say that in income ranges where the rates are believed to pinch most the disincentive effect if any is unlikely to be pronounced because, for earners in this group the motivating factor is prestige, gross salary and other attractions of the job rather than the net money return.

Empirical evidence on the subject is not conclusive. It is however amply clear that a good deal of what one hears in common conversation is only myth. "What the investigations show is that people *think* the tax system is a disincentive in the sense that they believe it acts adversely on the work effort of others but not themselves." The authors of a recent study on the subject reviewing the evidence declared that the only intellectually honest answer to the question 'do direct taxes have a disincentive effect?' is 'No.'[3]

The effect of progressive income taxation on saving is equally uncertain and difficult to evaluate. Whether a cut in income tax will stimulate the supply of saving obviously depends on the responsiveness ('elasticity' in the economists' jargon) of savers to changes in the rate of return usually measured by the rate of interest. Modern theory and evidence both cast doubt on the assumption of a strong relationship between saving and the rate of interest. So far as household saving is concerned, which is what is sought to be encouraged by the proposed cut in income taxes not much increase may take place as the response of many who aim at a 'target saving' in their life-time may as well be to consume more when their disposable income goes up. Granting that in general the propensity to consume

is less among the upper than among the lower income groups what one finds among the affuent in this country is a mad desire to attain the standards of their counterparts in the West in high living. In the atmosphere prevailing at present one dare say lack of will rather than lack of means is the main inhibitor of saving by those who are in a position to save. The current inflation weakens that will further. Anything that contributes in any way to the inflationary pressures must therefore be regarded as detrimental to saving. A tax cut in the upper income ranges may add to those pressures unless the rich are genuinely prepared to forgo a bit of their comforts.

The effect on investment is even more difficult to analyse as the determinants of investment are several and their interaction too complex for any generalisation. This is how a text-book on public finance which came out in 1973 sums up the position: "The analysis of taxation effects on investment, operating *via* the profitability variable in the investment function, remains among the most difficult aspects of tax policy. Neither theory nor empirical analysis has given a conclusive answer."[4]

Assuming, however, that taxes on income do discourage investment, the Indian income tax provides many incentives to mitigate the incidence of the taxes on profits. When the tax rates are reduced these incentives too lose their sharpness.[5] For improving the quality of investment what is required is more of risk taking. Musgrave and Domar showed long ago that under certain conditions entrepreneurs may take more risk with higher taxes when there is full loss offset. A system of carry-back of losses and liberalisation of the loss-offset provisions which are now somewhat restrictive could perhaps be a better way of encouraging investments than a cut in personal taxation.

As regards evasion the argument that high rates of tax spurs evasion by making that practice highly attractive has some apparent logic that cannot be rejected out of hand. But there are many snags in this argument. After all evasion will remain profitable as long as there is any tax, whatever the rate. At what level of taxation the risk attending evasion would outweigh the probable gain from it in the eye of the intending evaders cannot be measured with any precision and would vary from person to person, depending on the attitude and disposition of each. Here again no generalisation seems possible. More important, a potent source of tax evasion in this country is corruption. No part of the ill-gotten gains is likely to surface whatever be the rates of tax. The fact that there is evasion at all income levels, not merely at high ones, and that evasion had not gone down much when the rates were lower warns against any glib assumption. Nevertheless, one may agree that keeping the rate of income tax as high as nearly 100 per cent is to put too high a strain on virtue both of the taxpayers as well as the administration and some reduction was called for. But it would be understandable if in the present context the step was followed by a widening of the base and other measures towards an equitable and efficient tax system, of which the most urgent was the adoption of the family as the tax unit.

It is the reluctance to take any major step in that direction that makes the proposed concessions in income tax so suspect. If anything, the trend is in the opposite direction, witness the upward revision of deductions from salary income and liberalisation of the exemption of gratuities, which, by the way, has nothing to do with investment promotion or evasion prevention. The 'rationalisation' of the exemptions given in wealth tax is not going to make much difference as the number of wealth tax payers likely to be affected would not be many. An earnest attempt to move away from sharp progression in income tax and turn more to wealth tax on incentive grounds would surely be less open to question. The paltry revenue of Rs 9 crores anticipated from the changes in wealth tax is hardly evidence of that desire.

The net result of the Budget this year then would be to allow an even larger slice of the national cake to go to those whose share is already disproportionate to their size or their contribution to its making and there is little to stop them from eating up that slice either. True, some of the items that fascinate the rich will cost more. There is indeed a case for trying to extract more from the rich in this way when other methods fail. The Budget puts the gain from excise at about Rs 200 crores. But how much of this is relatable to the pockets of those who are benefited from the income-tax concessions is difficult to say. Taking only the clearly identifiable items like air-conditioners, the enhanced levies may fetch about Rs 30-40 crores whereas the loss on account of the income-tax concessions is put even by the Finance Minister at Rs 60 crores. A little consideration would, however, show that this is an underestimate and the loss cannot be less than Rs 100-120 crores.[6]

The campaign for cuts in tax rates on the pretext of incentives is of course common everywhere. It should be clear however while contending with such campaigners, that here one is involved more with "special pleading and a not unexpected desire on the part of the better-off to hold on to their incomes rather than with serious evidence on genuine economic effects."[7] It should not be forgotten that experts who favour low rates usually advocate a much more comprehensive tax base than is in vogue. That the privileged sections of this country could ask for more indulgence when the economy faces an acute crisis should cause no surprise. To think that the economy could be revived by granting them what they want is, however, to build one's hope on myth, not reality.

Notes

1 Maurice Peston, "Incentives, Distortion and the System of Taxation", *Political Quarterly* (London), Special Issue on Taxation Policy, Jan-March 1971. The present note relies heavily on Peston's and other articles in this issue.
2 *Ibid.*
3 C V Brown and D A Dawson, "Personal Taxation Incentives and Tax Reform", P E P Broadsheet 506 (1969), p 66, quoted in *Political Quarterly, op cit,* p 2.
4 R A Musgrave and Peggy Musgrave, "Public Finance in Theory and Practice" (McGraw Hill, 1973), p 485.
5 A R Prest, "Taxation and Growth", *Political Quarterly, op cit.*
6 The table on page 18 of the All-India Income Tax Revenue Statistics, 1969-70, does suggest (after taking into account the HUFs) a loss of Rs 60 crores from the reduction in tax rates—the Finance Minister's figure. In fact, the loss will be much higher. There are several reasons for this. First, the number of assessees has gone up in the last five years and so have money incomes. If allowance is made for this, the figure of loss will go up by Rs 20 to 25 crores. Second, the increase in standard deductions will reduce taxable incomes by Rs 600-1,000 for every salaried assessee, yielding a net saving of tax of about Rs 200-300 per assessee on average. As there are one million salary-earners in the tax-paying groups now, the tax loss on this account will come to about Rs 20-30 crores. Then there are other concessions here and there. Thus the revenue loss cannot be less than Rs 100-120 crores.
7 Peston, *op cit.*

The Great Migration of 1971

III — Return

Partha N Mukherji

This is an exploratory study of the evacuees who left East Bengal after the imposition of martial law on March 25, 1971, and sought refuge in India. According to official statistics, by the second week of December 1971 about 6.8 million evacuees had been housed in camps and another 3.1 million were staying with friends and relatives. As many as 827 state camps and 19 Central camps accommodated one of the largest migrant movements in history.

This three-part study concentrates on those who were temporarily settled at the Chandpara and Bokchora camps in the district of 24-Parganas in West Bengal. Part III looks at the migration of the evacuees back to Bangladesh and the manner in which it was achieved. It also discusses some theoretical formulations regarding the refugees. Part II had examined the organisational set-up of the camps, the relations between hosts and guests in and around the camps and the adoptive capacities of the evacuees in their new environment. Part I had dealt with the socio-economic background of the evacuees, the events leading to their uprootment and the trek to sanctuary.

WE have observed the circumstances under which the exodus took place from two regions of East Bengal. We have also examined the pattern of resettlement and social interaction in India between the host system and the guests. It is of considerable interest to study, even though briefly, the return of the evacuees to an independent Bangladesh after the victory of the Indo-Bangladesh armed forces.

Almost immediately after the cessation of hostilities there was much movement back and forth across the border. Within a period of less than two weeks several small groups from each of the two camps had gone into Bangladesh, made a quick survey of the conditions in their regions and reported back to the camps. Their reports were surprisingly uniform. These groups were accorded a red carpet welcome by their Bengali Muslim neighbours, who showed considerable sympathy for them and eagerly enquired about their conditions across the border. The neighbours assured them that the property of the evacuees was safe, that is, their landed property. These 'explorer' groups also found evidence of the Mukti Bahini taking strong retaliatory measures against betrayers of the Bangladesh nationalist movement. Many *Razakars* and influential members of Peace Committees were reported to have been killed; the Mukti Bahini was poised to dispense rough and ready justice.

With astonishing rapidity the evacuee also came to know about the extent of damage to his house and property, the chances of recovery of his looted goods and many other minute details of information in which he was interested. All these were further facilitated by frequent visits of the Bengali Muslim neighbours from across the border who were equally curious to see how their Hindu neighbours had fared during the nine month period.

The increased interactions across the border coupled with the glory of the victorious operations by Indian army and the Mukti Bahini generated an unmistakable urge for the evacuees to return to their native country. The emergence of Bangladesh viewed as completely free from the oppressions of Pakistan presented a solution to their problems. In comparison to the prospects of a free life in a newly independent country, camp life appeared to be like a bondage which had suddenly become intolerable. The impatience with which they awaited release from the camps was notable. Another factor which made them feel restless to go was the approaching deadline for the next sowing of paddy which had to be done preferably by January 15.

It is true that they were also concerned about the uncertainties of shelter and food in their own land. But the urge to return was unmistakably stronger and the assurances made by the Indian and Bangladesh governments to provide all that they could to resettle them had the expected impact.

It was utterly fascinating to see innumerable truck- and train-loads of evacuees returning home with joyous shouts of "Joi Bangla" (Victory to Bangladesh). I had the privilege of travelling with a group on a truck to Jessore from where I went to a village on the outskirts of Chchianobboi Gram and stayed for nearly a week.

The reception in Jessore district had acquired a procedural system. College teachers and students in the towns and school teachers and volunteers in the villages were receiving evacuees at their centres and canalising them to their respective destinations. Usually at such centres there was provision for rations and for an overnight halt for those in transit. The entire civil administration seemed to be alive to the need for solving this almost unmanageable problem. All available buses and trucks were ceaselessly engaged in transportation of the evacuees.

But the initial enthusiasm with which the evacuees left India and with which they reached their homes did not require much time to be eroded. Faced with the reality of destroyed and vacant homes, the returnee was immediately faced with a situation whose implications he had not been able to calculate far away from home. The destruction of houses could broadly be classified into three categories: houses with rooftops and walls but practically nothing else, houses with completely burnt out roofs with just the walls standing, and completely gutted houses. Of the three categories, the second predominated in the villages I saw. Some of the returnees I could see had managed to put a roof of sorts over one of their rooms and so start a new life in their own homes.

The pattern of recovery of goods is extremely interesting. It was certainly not uniform in all regions. I shall therefore confine myself to the village where I stayed and to what I saw during a 20-mile trip on a bicycle. The process of recovery was initiated by appeals from the Mukti Bahini command stationed in the village and a few dynamic Muslim leaders. The situation was extremely embarrassing and paradoxical. For the 'custodians' of such goods to openly return them to their rightful owners was to acknow-

ledge having played a highly deviant role. At the same time their collective role in this matter was no secret to anybody. This presented a problem even for those who had had no intention of enjoying their destitute neighbours' goods.

Faced with this kind of predicament some responded to the appeal and deposited the goods with the Mukti Bahini command. A few returned them directly to the owners trying their best to explain away or just keep quiet as to why they had taken them. There were others who showed reluctance to respond to the appeal. However, the returnees were able to identify and get information about the whereabouts of their goods with remarkable speed and accuracy. This was only possible because of the co-operation of their Muslims neighbours who were trying to make amends for their conduct. Pursuing such information the returnee would send a message, generally indirectly, to the custodian of his goods and request him to return it. If the custodian failed to respond, a complaint would be lodged with the Mukti Bahini command, which would expeditiously investigate and recover the goods.

In a neighbouring village, the Mukti Bahini had demarcated an area where the custodians of others' goods were requested to dump them and the returnees were requested to identify their property and take it home. This was supposed to avoid a lot of embarrassment for both the custodians and the returnees. This demarcated area was littered with all kinds of things — beds, almirahs, doors and windows, wooden beams, etc. This procedure met with reasonable success as the extent of recovery was placed roughly at 30 per cent which was considered good within that time span.

In other villages, cartloads of goods being taken from a custodian's house to a returnee's house were not an infrequent sight. However, this pattern was not followed in some villages in the predominantly Hindu populated areas. The Hindus having returned to their original strongholds were forcefully demanding back their goods from their Muslim neighbours. In at least one village an old Muslim was literally in tears describing how in spite of his best efforts in helping recover the looted goods he was being insulted and abused. He complained that one of the returnees had plucked his beard and on another occasion his child was slapped and told that his father was a low-down looter. This old Muslim frankly expressed fear that his life was not safe and he was thinking of moving to some other place.

In this context it has to be noted that the Mukti Bahini was not operating in this area and there was no effective alternative mechanism for the resolution of such problems. This indicates that the Mukti Bahini, in the absence of any of the institutions of law and order, served as a very important agency of social control. And so the Mukti Bahini's absence from an area generated tensions.

In a sense the Mukti Bahini, symbolised as liberators of the country, was playing a role which even normal institutions of social control were presumably not in a position to play. Clear evidence of this could be seen soon after the Prime Minister of Bangladesh appealed to the Mukti Bahini to lay down arms voluntarily and declared that those who did not heed the appeal would be identified or labelled as *Al Badrs* (the infamous masked group which engaged in the mass slaughter of intellectuals on the eve of the liberation of Bangladesh). The role of the Mukti Bahini then immediately received a check and the voluntary return of goods from custodians registered a sharp decline. This shows the status and power the Mukti Bahini enjoyed in the village community where I saw it operate.

Towards a Theoretical Integration

This exploratory study raises certain theoretical problems. One might pose the main question very generally: What is the social response to crises? Certainly, there are likely to be varieties of responses just as one can identify a variety of crises. The social response to crises emanating from natural causes is likely to be vastly different from crises emanating from social and political causes. Thus a community may face challenges from earthquakes, floods, tidal waves or tornadoes — crisis which have been better labelled as disasters. It can also face a crisis of an extremely different nature — where the crisis is not over with the disaster, but in fact is a continuing one. In the former type of crisis, the community mobilises its resources to make up for the losses. If the community is in an earthquake zone or tornado-prone area, it develops certain mechanisms by which it can face the recurrence of such crises and their aftermath. The latter type of crises, in which complete uprootment of a very large group from its soil to an alien country is the most extreme form, is distinctive in that the causal generating factor being socio-political is much more complex and for the uprooted people there is no familiar precedent to fall back upon.

Uprooted from his native soil, torn from his national identity, the evacuee is forced to accept an unstable, uncertain future for himself and his family. The experiences of post-war refugees have shown that neurosis is a common condition among them and "quite apart from symptoms of a definitely pathological character, there is every justification for speaking of a 'refugee complex'."[10] It would be expected that an idle group, forced into apathy, would manifest serious symptoms of personal disorganisation. But this was not so among the refugees I was with. As indicated earlier, neither the doctor visiting the two camps nor the camp inmates reported a single case of hysteria or any abnormal behaviour. There were many persons reporting how shattered their nerves were on account of their shocking experiences in East Pakistan, but they did not show any signs of neurosis. What, therefore, explains the social and psychological stability of this group in such circumstances?

One may infer that either the causes of such tension were successfully resolved or that a tension-management mechanism had come into operation which, in spite of the continuing tense objective situation, nevertheless helped to retain the balance of the individual. It is clear that by denying the then East Pakistan nationals Indian co-nationality and by imposing on them a forced idleness, the situation the evacuees were placed in was conducive to problems of personal disorganisation.

In this context, three processes can be identified which performed the all important function of tension-management. They are: (a) the reactivation of the evacuees' rural community structures; (b) the emergence of the camp community on a model close to that of the village; (c) deviant behaviour which acted as a safety valve. The first two processes (especially the first) enabled the individual to retain or regain his identity in the institutionalised system of status and role in which he had operated. If the evacuee had lost his status *vis-a-vis* the social environment around him, he still retained his social position in the system of social interaction and social solidarity. The individual evacuee was not suffering in isolation torn out of his group. The entire collectivity was sharing a crisis — the challenge was not faced only by the individual but by the entire group.

Here one might refer to the Durkheimian hypothesis which posits that an increase in the integration of a group which faces a crisis causes a reduction in the rate of egotistic suicides. Durkheim states that "great social disturbances and popular wars rouse collective sentiments, stimulate partisan spirit and patriotism, political and national faith, alike, and concentrating activity toward a single end, at least temporarily cause a stronger integration of society".[11] This prompts him to postulate that "Suicide varies inversely with the degree of integration of political society."[12] With a permissible extension of this hypothesis one can see in the instance of the Bangladesh evacuees the reactivated mechanical solidarity functioning as a tension-management mechanism and minimising the occurrence of neurosis and personal disorganisation.

The theoretical implications of the safety-valve mechanism of the deviant infrastructures are far from superficial. While the social system of the community was transferred across the border and new camp communities emerged, it found itself operating or existing in an economic vacuum. This raises the following problem: What happens to a social system which has a social structure but which suddenly is faced with the loss of its economic subsystem? There could be three possible results; (1) the social system may dissolve itself into another socio-cultural system and get integrated with the economic system of the latter; (2) the social system will generate anew its own economic subsystem; (3) the social system will face serious problems of disorganisation and perish, if it is not in a position for possibilities (1) and/or (2).

In the present context, possibility (1) could have resulted from granting co-nationality and rehabilitating the evacuee. This the evacuee was legally denied. Possibility (2) was also legally denied. The third possibility was the one which the evacuee was forced to accept, with the difference that the physical survival and security of the evacuee was ensured. In such a situation, the institutionalised and emerging social structures generated their own deviant economic infrastructures to compensate for the lost economic subsystem.

This study, therefore, provides an important insight into the understanding of the primacy of the economic subsystem for the survival of a social system and its individual members. The superstructures were 'compelled' to generate a base of economic activity, without which the social system was threatened with possible disaster.

As for the speedy departure of the evacuees from the camps, there were important 'pull' and 'push' factors which expedited it. Once the original causal generating factor identified with the crisis was satisfactorily removed, the social systems with their fragmented ecological base strove to regain their ecological unity. The guests' unequal relationship with their hosts — with a vertical one-way movement of obligations defining a low status for the evacuees in the stratification scheme — was a kind of an 'oppression' characterised by severe deprivation, restrictions and humiliations. The liberation of Bangladesh provided an opportunity to 'liberate' oneself from this low-status position and to regain one's status in one's own total social setting.

Notes

10 Jacques Vernant, "The Refugee in the Post-War World", George Allen and Unwin, London, 1953.
11 Emile Durkheim, "Suicide" (translated by J A Spaulding and George Swipson), Routledge and Kegan Paul, London, 1953, p 208.
12 *Ibid*, p 208.

FROM THE CHAIR

Albright, Morarji and Pandit Limited

Speech of the Chairman, Shri N Dandeker, ICS (Retd)

THE following is the Speech delivered by Shri N Dandeker, ICS (Retd), Chairman, Albright, Morarji and Pandit Limited, at the Eighth Annual General Meeting of the Members held on Wednesday, March 6, 1974:

Ladies and Gentlemen,

I have great pleasure in welcoming you to this EIGHTH ANNUAL GENERAL MEETING.

The Audited Statements of Account for the year ended 31st October, 1973, and the Directors' Report thereon have been with you for sometime now. With your permission, I shall take them as read.

The results of the year's operations have been very disappointing indeed, compared with those of the previous year. There were two principal reasons for this.

Firstly, there were sharp increases in all costs. Rock Phosphate which is the major raw material for the Company's production is imported from Morocco; and because of the very tight freight market and the congestion in the Bombay Docks, the freight on shipments has been sky-rocketing. The other important raw material, namely Soda Ash, being greatly in short supply the Company had to import some of its requirement at a price very much higher than that of indigenous Soda Ash. There has also been continuing increase in the cost of power, furnace oil, kerosene oil and engineering stores. In addition, some *ad hoc* benefits had to be granted to the Company's employees. In the result, the cost of goods produced by the Company as reflected in the Accounts is disproportionately higher than the corresponding cost in the previous year. Nevertheless, your Board quite rightly thought it proper that the Company should for some time endeavour to absorb these cost increases instead of passing them on to our customers.

Secondly, even while the Company was thus making every effort to hold the price line while maximising production to meet the ever-increasing demands from the manufacturers of non-soapy detergents and also other users of Sodium Tripolyphosphate, the workers struck work for eight days in April and indulged in a prolonged "sit-in" strike from 12th October, raising certain wholly illegal and untenable demands. This strike continued into the current accounting year until, finally, the management was reluctantly compelled to declare a partial closure of the company's plant from 3rd December 1973. Work at the factory was finally resumed only on 30th December 1973.

It would be fruitless at this juncture to recapitulate the circumstances in which the strike was resorted to by the workers and subsequently called off. I may emphasise, however, that the management had of necessity to take a firm stand because what was basically at stake was the fundamental principle of the sanctity of agreements solemnly entered into and still subsisting. The Company could not possibly surrender on such basic issues. However, the Company was always ready to make some marginal adjustments in regard to such matters as Dearness Allowances, etc, to alleviate the undoubted hardships of the workers resulting from the present conditions of high prices and acute scarcities. I am glad to say this reasonable stand eventually prevailed.

In June 1973 the Company received the Industrial Licence for increasing the Sodium Tripolyphosphate capacity of its plant from 12,500 to 25,000 tonnes per annum. According to the Company's original plans, this expansion would have been completed in March or early April this year — that is to say well before the stipulated date for securing the full benefit of the Development Rebate; but the recent strike has upset the schedule. However, in view of the saving in costs and tax that would ensue, every effort is being made to make up for lost time.

Meanwhile, with the loss of production due to the strikes, the turnover for the year was lower by 6.74 per cent compared to the previous year; and because of the sharp rise in the cost of raw materials and engineering and chemical stores, coupled with a rise also in operating costs, the profit before taxation decreased by as much as 23.9 per cent.

The dispute with the Customs authorities regarding the classification of Rock Phosphate under the Customs Tariff still remains unresolved. However, the Company's position against any adverse decision has been secured by deposits collected from the Company's customers against the contingent liability on this account.

As the first five years of operations were over by 31st October 1972, the Company is no longer entitled to any concession in the computation of Income-Tax, save only Development Rebate on additions to Fixed Assets, if any. The Company thus being now liable to pay Income-Tax and Sur-Tax at the full applicable rates, the after tax profit for the year under report is lower by approximately Rs 20 lakhs compared to the previous year.

In view of the fact that the demand for Sodium Tripolyphosphate is on the increase, and having successfully achieved complete technical competence in producing quality material acceptable to the detergent manufacturers and other users of Sodium Tripolyphosphate, the Company has applied to the Government of India for an Industrial Licence to increase its Sodium Tripolyphosphate capacity from 25,000 tonnes to 50,000 tonnes per annum. It is hardly necessary to add that your Company is in the best position to achieve the establishment of additional capacity of this magnitude quicker and at considerably less capital cost than any one else. The resulting economies of scale will also enable us to hold down costs.

Messrs Hindustan Lever Ltd, our Company's largest customer for Sodium Tripolyphosphate have thought fit to apply for an Industrial Licence to set up an *integrated project* for the manufacture of Sodium Tripolyphosphate with an installed capacity of 30,000 tonnes per annum. And there are also many other applicants in the field, though none of them is a manufacturer of detergents. Your Company opposed the application of M/s Hindustan Lever Ltd under the Monopolies and Restrictive Trade Practices Act, principally on the ground that it would result in socio-economically undesirable 'vertical integration' by their having a captive plant for manufacturing an essential ingredient in the production of non-soapy detergents, to the grave disadvantage of other manufacturers of detergents. There were, of course, several other grounds for our opposition upon which it is unnecessary to dilate here. However, the Monopolies Commission by a majority of 2 to 1 recommended the grant of an Industrial Licence to Hindustan Lever; and the matter now rests with the Government of India for final orders. I am confident that, in the best long-term interests of the country, the Government will give due weight and full consideration to the representations made by the Company and to the views expressed in the 'Minority' Report of the Monopolies Commission.

Because of our pooling arrangement for electric power with The Dharamsi Morarji Chemical Co Ltd and Messrs Borax Morarji Ltd referred to in my statement last year, the power cut during the year did not adversely affect the Company. So, too, the reduction in the supply of water by the Maharashtra Industrial Development Corporation did not adversely affect the Company because of various economies effected in the consumption and use of water.

The Company's requirements of Rock Phosphate are being met by regular imports made by the Minerals and Metals Trading Corporation of India Ltd. However, both the f o b price and the freight rates on Rock Phosphate have considerably increased in recent months with the result that the selling price of our product had to be enhanced effective from the commencement of the current year to cover some part of the increased costs. While, therefore (if we have no more strikes) the turnover in the ensuing year may be larger, the margins are likely to be more slender in view of the all-round increase costs and prices of our inputs besides the scarcity of certain essential materials like furnace oil, etc.

Messrs Albright and Wilson Ltd (A & W) have sold some of their equity holding in the Company to The Dharamsi Morarji Chemical Co Ltd in terms of an Agreement entered into between them at the time of their collaboration for setting up the Company's project. A & W's present holding in the Company's share capital is therefore now slightly below 40 per cent. In view of the recently enacted (new) Foreign Exchange Regulation Act, 1973, A & W have ensured by this action that your Company will be free of the many disadvantages applicable to a company in which the foreign equity holding is over 40 per cent.

Mr R A Shah, who was a Director on your Board, resigned on 5th November 1972. On behalf of the Board, and on my own behalf, I wish to express our sincere appreciation of the very valuable services rendered by him since the inception of the Company.

I must thank all my colleagues on the Board for their valuable services, assistance and guidance; and I gratefully acknowledge the continued co-operation and technical assistance rendered by our collaborators, Messrs Albright and Wilson Ltd and The Dharamsi Morarji Chemical Co Ltd, both for the current operations and for the expansion projects of your Company.

Ladies and Gentlemen, I now have pleasure in moving the following resolution:

"RESOLVED that the Audited Statements of Account of the Company for the year ended 31st October 1973 and the Directors' Report to the Members be and they are hereby received and adopted."

25th Meeting of

National Co-operative Development Corporation

The 25th meeting of the National Co-operative Development Corporation was held at New Delhi on March 5, 1974. Presiding over the meeting, Corporation's Chairman and Union Minister of Agriculture, Shri Fakhruddin Ali Ahmed disclosed that the Corporation had rendered financial assistance to the co-operatives, engaged in marketing, processing and storage of agricultural produce and supplying farm inputs to the farmers, to the tune of Rs. 16.35 crores during 1972-73. Of the total assistance, Rs. 13.02 crores were provided under various Central Plan Schemes implemented by the Corporation as under:

Sl. No.	Scheme	Assistance Provided (Rs. in crores)
1.	Centrally aided plan scheme	6.00
2.	Centrally sponsored scheme of margin money to co-operatives for distribution of chemical fertilisers and other agricultural inputs	2.00
3.	CENTRAL SECTOR SCHEMES FOR:	
	i) Setting up of small and medium sized processing units	2.01
	ii) Strengthening of share capital base of selected marketing co-operatives	1.01
	iii) Creation of additional Storage capacity	2.00
	TOTAL:	13.02

Besides, the Corporation provided financial assistance amounting to Rs 2.78 crores under various schemes sponsored by it from out of its own resources, such as, establishment of granular fertiliser units, agro-service, centres, units for formulation of pesticides/insecticides and soil testing laboratories. The assistance was provided in the form of loans and grants to State Governments/Apex Co-operative Banks and share capital and grants to the national level co-operative federations.

According to the Report, the NCDC Act was amended by the Parliament to provide its extension to Jammu and Kashmir. Besides, the Corporation opened two more regional offices at Gauhati and Chandigarh in addition to five regional offices established earlier at Bangalore, Calcutta, Bhopal, Poona and Patna. During the year, the Corporation also decided to take up financing of various programmes in Union Territories.

Co-operative Marketing

The co-operatives marketed agricultural produce worth Rs 843.69 crores during 1971-72 as against Rs 648.49 crores in 1970-71. The States of Punjab, Maharashtra, Uttar Pradesh and Gujarat accounted for nearly 3/4th of the total value of the agricultural produce marketed by co-operatives during 1971-72. About 50 per cent of the total sales of agricultural produce by co-operatives in 1971-72 were accounted for by foodgrains. This was due to the concerted efforts made by the Corporation for larger involvement of co-operatives in foodgrains procurement programmes of the State Governments/FCI. With the active interest of the NCDC, co-operatives are also being increasingly involved in the procurement operations of cotton and jute on behalf



Shri Fakhruddin Ali Ahmed

of the newly established cotton/jute Corporations. To enable the co-operatives to handle the increasing volume of business in these two important commercial crops, the Corporation has evolved a scheme for providing margin money to apex marketing federations of major cotton and jute growing States for raising bank finance. This has considerably helped the co-operatives in stepping up their marketing operations in respect of these two commodities.

Co-operative Processing

The number of agricultural processing units organised in the co-operative sector increased from 1,755 at the end of 1971-72 to 1,790 at the end of 1972-73. Under the Central Sector Scheme for providing block capital cost of small and medium sized processing units, introduced in the year 1970-71, the Corporation upto the end of 1972-73 sanctioned assistance amounting to Rs 13.42 crores in respect of 125 projects, which mainly include rice mills, cotton ginning and pressing units, oil mills including solvent extraction plants, dairies, cattle feed plants and cold storages. Of the above assistance, Rs 3.59 crores were released.

The number of co-operative sugar factories licensed went up from 124 at the end of 1971-72 to 134 at the end of 1972-73. During the year 1971-72, 80 co-operative sugar factories were in production and they produced 12.85 lakh tonnes of sugar representing about 41.29 per cent of the national production of sugar.

Distribution and Supplies

Co-operatives recorded significant progress in the distribution of fertilisers and other agricultural inputs. According to the Report, the value of chemical fertilisers handled by co-operatives

increased from Rs 250 crores in 1970-71 to Rs 288 crores in 1971-72. Similarly, the value of improved seeds, agricultural machinery and pesticides distributed by co-operatives increased from Rs 39 crores, Rs 10 crores and Rs 17 crores in the year 1970-71 to Rs 45 crores, Rs 11.6 crores and Rs 19.6 crores respectively in 1971-72. The Centrally Sponsored Scheme of providing margin money to co-operative wholesalers for undertaking distribution of fertilisers and other agricultural inputs, being implemented by the NCDC from the beginning of the Fourth Plan in 1969-70, has encouraged the co-operatives to increasingly involve themselves in this business. The total assistance provided by the Corporation under this scheme upto 1972-73 amounted to Rs 10.40 crores.

The value of consumer articles distributed in rural areas by co-operatives increased from Rs 145 crores in 1970-71 to Rs 180 crores during 1971-72. With the increasing emphasis on public distribution system, the co-operatives are expected to play important role in this activity.

Co-operative Storage

The total storage capacity assisted in the co-operative sector increased to 40 lakh tonnes by the end of March, 1973, out of which 32 lakh tonnes was reported to have been constructed.

NCDC to Play Larger Role

Shri M S Gill, Secretary, NCDC, disclosed in the meeting of the Corporation, that the charter of the NCDC has recently been amended by Parliament so as to broadbase the administrative set-up of the Corporation and to diversify its activities and sources of finance. With larger funds of the order of Rs 86 crores to be supplemented by its own funds, during the Fifth Five-Year Plan, the NCDC is poised to play for more effective role in expanding and strengthening the co-operative marketing infrastructure particularly in the co-operatively underdeveloped States and Union Territories. The Corporation would pay special attention to the rapid development of co-operative poultry, dairy, fisheries and minor forest produce — the activities in which small farmers and tribals are predominantly engaged.

Chairman's Statement:

H.T. PAREKH, ICICI Chairman, calls for faster industrial development under the Fifth Plan

- **Economy poised for growth**
- **Role of Finance Institutions in Promoting Industrialisation**
- **Support for Dual Pricing for Industrial Products**

The economic situation in 1973 was governed solely by the impact of the 1972 drought. The shortfall in agricultural, particularly foodgrains, output had all-pervasive repercussions on the economy. It led to a rise of 18.6 per cent in prices, accounted for mostly by the rise of 21 per cent in foodgrain prices. It led to a resumption, on commercial and barter terms, of foodgrain imports which strained the foreign exchange budget of the country. It also led to a substantial public works programme to provide employment and income to those affected by the drought, financed mostly by resources provided by the Centre and leading to substantial deficit financing by the Central and State Governments.

The drought also had repercussions outside agriculture. There was a substantial fall in the generation of hydel power which, combined with difficulties in thermal generation and the only atomic power plant, led to power-cuts all over the country, in some States and at times ranging up to 75 per cent. These power-cuts affected output not only in power-intensive industries but also in other industries; with delayed action, this will in due course be reflected in the published operating results of the companies.

Fortunately, 1973 has seen unusually good rainfall spread throughout the country, and, despite floods in some parts, particularly in Gujarat, the harvest this year, not only of foodgrains, but also of jute, cotton and oilseeds, is likely to be a record one. Gradually, the food pipeline is getting filled up, and foodgrain availability should begin to improve. Power-cuts have been largely given up, though the situation still remains difficult in some areas like Uttar Pradesh.

There is necessarily a time-lag in India between increased supplies and their impact on prices. Given the nature of a predominantly agricultural production system, precise information on actual output is available with a lag. Moreover, after a bad harvest season, the first impact of increased supplies in a good year is to fill up the distribution pipeline, before supplies reach the market and begin to influence prices. The Government needs to evolve a clear marketing strategy to enable movement and distribution of foodgrains at reasonable prices. Credit policy should also be geared to smoothening the production and distribution process.

The more general beneficial effects of a good monsoon are, therefore, still to be felt. Particularly, the Government's budgetary position remains difficult, initial procurement of foodgrains has been below expectations, and prices have remained at high levels, necessitating stringent across-the-board credit curbs. Apart from the price situation, the dark cloud on the 1974 horizon is the oil crisis.

The country is passing through an unprecedented economic crisis, and very little light is immediately visible. In such a situation it is necessary that all sections of the society combine to meet the problem. The Government needs to break the inflation psychosis in the country, particularly by adjusting excise duties on basic consumer goods to bring down their prices. There is need to induce harder work by labour and a restraint on prices and luxury consumption by industry.

The Fifth Plan provides for an over-all growth rate of 5.5 per cent; this growth rate is the minimum required if we are to show any tangible progress under planning. However, as experience shows, plan targets have not been fulfilled in the past, with the result that the actual growth reached has been much lower than the growth planned: in the fifties, the growth rate was 3.8 per cent and in the sixties the growth rate was 3.7 per cent only. The significance of the shortfalls can be gathered from the fact that had the targeted growth rates been achieved, the *per capita* growth during the last 23 years would have been double the actual growth.

There can therefore, be no controversy about the growth rate planned: it is, as the Plan document says, the minimum that must be aimed at if we are to make a perceptible movement towards achieving the objectives set out under the Plan.

The immediate task before the planners is to remove the various physical bottlenecks which restrict industrial production—particularly fuller utilisation of capacity. The two major areas are power and railway transport; these inhibit production in iron and steel, cement, coal and aluminium industries. Shortages of basic raw materials affect output in engineering and fertiliser industries. Many of these products are vital inputs for other economic activities and are also becoming scarce and high-priced internationally. An improvement in the areas of power, transport and raw materials is likely to raise immediately and substantially output in a broad group of industries. This is the first task to which the Planning Commission must address itself under the Fifth Plan.

The rate of growth planned for industry is not sufficient, and I suggest that, subject to availability of resources, we should aim at a growth rate of 10 to 12 per cent. It is desirable that the Planning Commission monitors closely the progress in the industrial field and, in the light of the evolving situation, makes an attempt to raise the rate of industrial growth in the latter portion of the plan period when we have overcome the present difficulties.

The basic aim of Government policy is to decentralise industry and entrepreneurship in the country. Decentralising industry leads to favouring a policy of promoting industry in backward regions; governments, both Central and State, now back up this policy by providing substantial incentives like capital subsidies, partial tax exemption and sales tax and other rebates. Decentralising entrepreneurship is being done by reserving some kinds of investments, particularly small and medium scale investments, for small and medium entrepreneurs.

In its statement of policy frame, the Fifth Plan recognises the various impediments, procedural and substantive, which impede investment in industry. It specifically suggests that administrative sanctions, where required, should be given expeditiously. If industrial targets are to be achieved, it is desirable that delays and inflexibilities in policies are avoided. Government itself has taken positive steps in this direction, particularly by setting up the Secretariat for Industrial Approvals so as to provide simultaneous unified clearances in respect of industrial licence applications. This is a step in the right direction which should help to expedite project implementation. Other procedural steps, especially enabling flexible use of import licences within over-all ceilings for project imports, need also to be given consideration.

The policy frame also refers to the extension of dual pricing policy, now prevailing in sugar industry, to other industries. This is a suggestion which needs to be given effect to without delay. In many industries like cement and aluminium where prices are controlled, project costs and product prices are so out of line that investment in them has become non-viable and, therefore, has almost stopped. In many industries like fertilisers, paper and cement, scarcities have begun to emerge; at the same time, their prices are not such as to attract investment in these indu-

stries. The Government needs to take a clear decision on its pricing policy to attract investment into these industries, as it has already done in the case of steel.

One appreciates the concern of the Government to protect the not-so-well-off consumers and — as in cement and aluminium — its own costs. The sugar price experiment has shown that such protection to priority consumers can be ensured, without jeopardising the incentive for investment in the industry, through a dual pricing policy, Ultimately the aim of Government policy has to be to ensure that output expands sufficiently to reduce the gap between the controlled and the free market prices. In addition, Government should consider giving such industries excise duty concessions on increased output in priority industries for 5 to 10 years.

Given the scale of capital costs, I feel that the concept of the joint sector is particularly suited to our needs. It helps to combine the financial resources of the State with the managerial expertise available in the private sector. In this area, this Corporation has already provided assistance of more than Rs 23 crores to joint sector projects, many of them jointly with various State Industrial Development Corporations; sanctions to joint sector projects in 1973 alone amounted to Rs 8.19 crores forming 14 per cent of total sanctions in 1973. Other development banks like IDBI and IFCI are also actively engaged in such financing, often jointly with us.

Finance institutions will need to play a substantive role in ensuring the fulfilment of the Fifth Plan industrial programmes. Let me at once say that the finance institutions fully accept the basic objectives, programmes and policies enunciated in the Fifth Plan. The task of assisting in the translation of these into specific projects and in ensuring their implementation will fall on them.

For development banks like our Corporation, this is not a matter of mere conformity but also sound business policy. This Corporation has always been interested not merely in accelerating industrial growth, but also in its decentralisation. The success of its endeavour in these spheres is, however, conditioned by the availability of supporting institutional, technical and infrastructure facilities.

Finance institutions, under the able leadership of the Industrial Development Bank of India, have taken up an active programme of developing and financing new projects, promoting new entrepreneurs and joint sector projects, and financing projects in backward regions. In the development of backward regions, State-level institutions play an active role not only in promoting the projects but in ensuring timely provision of infrastructure facilities. Increasing co-operation between all-India and State-level institutions in the task of identifying viable project ideas, organising and channelling technical consultancy services, identifying infrastructural gaps and mobilising resources and efforts to bridge these should help to give a fillip to the development of backward regions.

As I mentioned above, the Corporation is vitally interested in the broader development of the economy, both as an aspect of its developmental activity and for fostering its future investment opportunities. The Corporation has taken various measures during recent years to strengthen its own capabilities in this area. The Corporation tries to identify investment opportunities in various States; for this purpose, along with other financial institutions, it his also made surveys of various States. Where projects are identified, these are discussed with the all-India and State-level institutions and feasibility studies are undertaken or commissioned in order to turn investment ideas into viable projects.

Arrangements among the finance institutions for joint consultation have been working smoothly now for many years under the leadership of the Industrial Development Bank of India. These arrangements enable a co-ordinated view to be taken on the financing of projects and their follow-up. Finance institutions have been streamlining their procedures and increasingly recognising the need to establish a lead institution concept which would help to avoid duplication of effort, spread the work-load evenly and lead to quick decisions.

The Corporation made a beginning in 1973 to further diversify its sources of foreign currency funds. It signed, with the approval of Government, an agreement with a consortium of Swiss banks, headed by Banque Gutzwiller, Kurz, Bungener S. A. for a public issue of bonds of Swiss Francs 8 million in the Swiss market. The issue was arranged through Lazard Freres et Cie, Banque Nationale de Paris and Deutsche Bank Aktiengesellschaft. The issue was well received in the market and was fully subscribed. I would like to thank the consortium members, advisers to the issue and Government of India for enabling the Corporation to make an entry in the capital market in Europe and for giving it greater international exposure.

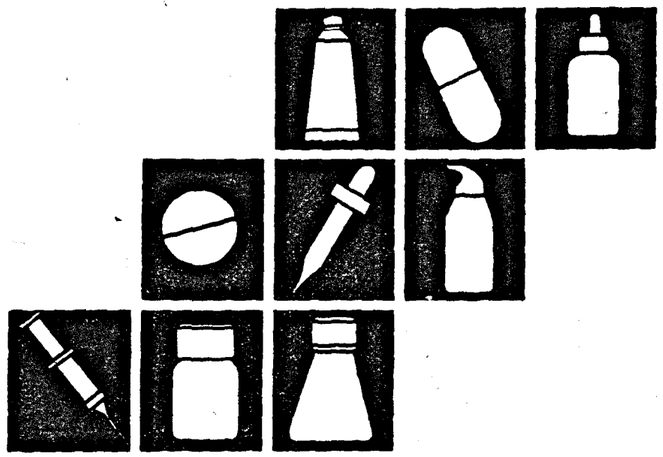
As corporate financial requirements become more complex, we also feel that new entrepreneurs and existing companies need assistance in meeting their financial requirements on a comprehensive basis — not only in tying up their financial requirements but also in assisting them through legal and other requirements needed to approach the public for funds. This activity is being done through our Merchant Banking Division; we expect that as companies begin to expand their operations, the operations of this Division will increase.

Bombay, February 14, 1974

This is an extract from the Statement of the Chairman circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1973. The full text of the Statement can be obtained from the Secretary, The Industrial Credit and Investment Corporation of India Ltd, 163, Backbay Reclamation, Bombay.

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India today produces medicines to fight almost every disease. In Asia we are second only to Japan in the range of medicines manufactured.

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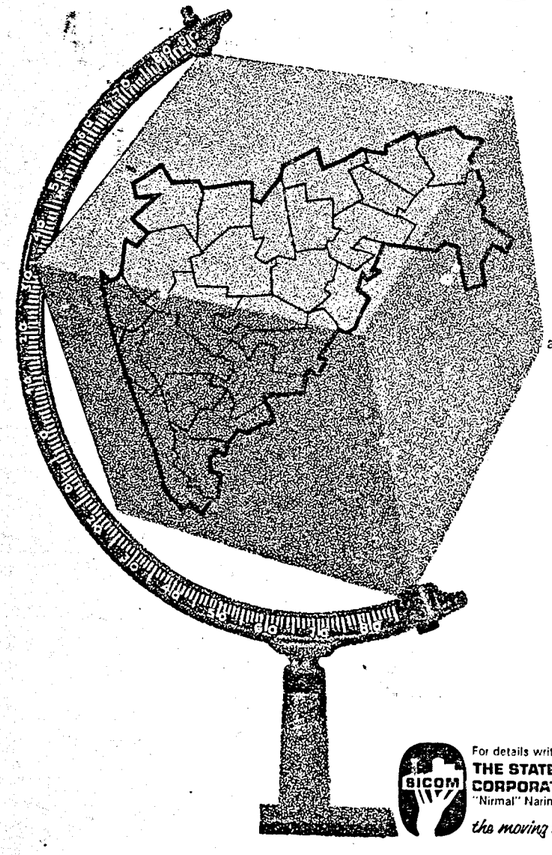
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FIRST INDIAN AUTOMOBILE SPARE PARTS TRADE FAIR:



August 16, 17 and 18, 1974.

Sparkplugs, tyres, carburettors, gear boxes, speedometers, differentials, fuel gauges, windscreens etc., will be among the many other items on display.

SECOND INDIAN ELECTRONICS TRADE FAIR:

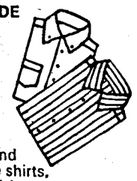


September 6, 7 and 8, 1974.

Items on display will be in the following categories:

a. Consumer and entertainment electronics.
b. Professional and industrial electronics.
c. Medical electronic items.
d. Measuring instruments.

SECOND INDIAN READYMADE GARMENTS TRADE FAIR:

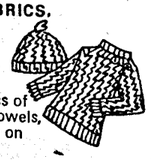


September 20, 21 and 22, 1974.

(In collaboration with the Clothing Manufacturers' Association of India.)

A variety of garments will be on display—of cottons, silks and synthetics—of millmade fabrics and handwoven fabrics. There will be shirts, trousers, safari jackets, ladies bell-bottom suits, guru shirts and what not—a collection representing the cross-section of the current trends in international clothing styles.

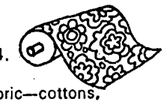
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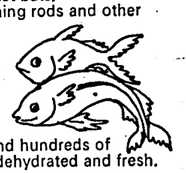
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THE TAJ MAHAL INTER-CONTINENTAL BOMBAY, INDIA

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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Falling in Line

THESE are tragic days for the Agricultural Prices Commission. A certain emasculation has taken place in its physical strength, but that really is not the central issue. Due to a series of decisions taken by the government since the autumn of 1972, the Commission's functioning has of late been made altogether precarious. Last season, what the Commission recommended as procurement prices for the kharif cereals were converted into a set of support prices by the politicians. The procurement prices suggested by it were considerably higher than what they were in the previous year. But the chief ministers — and those whose interests they principally look after — wanted more, and got away with more: the high procurement prices did not make the least difference to the magnitude of procurement. But this failure to procure is now being advanced as an argument for raising the procurement prices further, and for other crops too.

For witness how the stratagem was repeated with the price-setting exercise for wheat. The APC was hustled, quite contrary to its past practice, into announcing its recommendation for a so-called guaranteed price for wheat for the 1974-75 marketing season as early as in mid-summer 1973. In the wake of the failure of the wheat procurement programme, panic had gripped the government; it was officially announced that the recommended guaranteed price was only a support price, and the APC would be asked to make a further recommendation on the procurement price for the grain on the eve of the harvest. But even before the Commission could report, the government of Maharashtra on its own raised the procurement price for wheat for the red and Mexican varieties to Rs 105 per quintal, an increase of nearly 40 per cent over the year. Not one word has been forthcoming from the Union government in condemnation of such unilateral decision-making. The APC's position was thus hopelessly compromised. While making its recommendations on the procurement price of wheat, the Commission could have ignored what the government of Maharashtra has done, or it could have merely followed the flag waved by the latter. In the event, what the APC has done is more or less to choose the second alternative: the procurement price for the Mexican and red varieties in all parts of the country has been proposed to be raised from the level of Rs 76 last year to Rs 95 this year; the Commission must have surmised that the chief ministers would in any case add another Rs 10 per quintal to the price suggested by it so as to attain the height set by Maharashtra.

Certain data on costs of cultivation of wheat have been made available by the Commission, but the recommended level of procurement price has only a thin relationship to the costs as worked out. The issue in any case is no longer one of a fair return to the farmer; it is whether to offer him as much as he could obtain from the market. The Commission has assumed that the government does not have the capability or the will to procure grain compulsorily. It has therefore reached the altogether conventional conclusion that either procurement prices must move closer to prevalent market prices, or public distribution must be curtailed. Coming from the Commission, such reasoning is quite a *volte face*, for in the past it has generally argued against soft options.

The objective of procurement on the part of public agencies is supposedly to ensure effective public distribution. The objective of public distribution in turn is supposedly to provide grain at reasonable prices to those sections of the community who are unable to afford the high prices which prevail in the market in times of inflation and scarcity. As procurement prices are raised across-the-board, the very poor are to be priced out of even the public distribution system. Of course, even with raised procurement prices, supplies to the vulnerable sections could be maintained provided the government could be persuaded to accept either of the Commission's earlier recommendations, namely, (a) loading a larger proportion of the economic cost, on account of the procurement of the grain, on high-income consumers and thereby keeping the issue price low for the *poorer consumers*; and (b) increasing the quantum of subsidy from the national exchequer. The first suggestion has already been turned down by the government as impracticable. The second suggestion cuts across the logic of Y B Chavan's budget for 1974-75, which has planned for a total reduction in the quantum of food subsidy to the extent of Rs 150 crores. A progressive dismantling of public distribution would accordingly seem to be the message embedded in the Commission's latest recommendation, a message which cannot but gladden the hearts of many a chief minister — and perhaps quite a few Union ministers too.

A wobbliness has obviously begun to to affect the APC's frame of analysis. In the arid tract which is the government, the Agricultural Prices Commission was perhaps one of the few corners where unvarnished truths were in the habit of being spoken out. The integrity of analysis and expression which the APC has demonstrated over the years could well have been emulated by, for example, the Planning Commission. It now seems that all is over bar the shouting. Evidently, the Agricultural Prices Commission has also become a victim of the pervasive defeatism; its latest report is a repudiation of all it had endeavoured to set up in the past. It suits the government to keep the Commission where it is, to use it when it serves its own purpose and to ignore it when it does not. But those who constitute the Commission owe it both to the nation and themselves not to play the government's game. At this juncture, they can serve the cause of both their conscience and their professional conviction by abdicating rather than by surrendering. At any given moment, there will be no dearth of lackeys to say what the government will want them to say. But why should the APC, of all bodies, contribute to this sorry spectacle?

Exchange Reserves

Time to Move Out of Sterling

THE sterling exchange guarantee given by the British government to official holders of sterling balances has been extended upto the end of 1974, though on substantially modified terms. It may be recalled that the guarantee arrangement was first negotiated in 1968 to reassure the official holders of sterling so that they were not tempted to switch to the dollar which, at that time, was still a strong currency because of its gold convertibility. Through this arrangement, which was renewed in September 1971 for a further period of two years, the British government succeeded in minimising speculative pressure on sterling and gave it relative stability for some time. The success of the arrangement persuaded the UK to renew it once again on September 6, 1973 for a period of six months at a slightly improved dollar value of $ 2.4213 compared to the previously guaranteed rate of $ 2.3760 per pound sterling. The new rate, incidentally, represented the average of the rates at noon on the preceding three days. The latest renewal of the guarantee, which is to run upto the end of 1974, makes a substantial departure by linking the exchange rate guarantee not to any particular dollar value in terms of sterling but to the weighted average movement of the pound over the next nine-month period. Under the new formula, variations in exchange rate for the sterling will be measured through sterling's average movement against other key currencies weighted according to their importance in bilateral and world trade.

The latest method adopted for compensating sterling holders for possible exchange losses in the event of depreciation of the sterling is an ingenious one. Under the old agreement, which was effective upto the end of September 1973, compensation was payable if sterling dropped below the guaranteed level for 30 consecutive days. In the subsequent guarantee arrangement which will expire at the end of this month, compensation is payable to holders of sterling only if the average daily rates of the sterling for the whole six months drops below the guaranteed level. Thus the terms of the sterling exchange guarantee have been made progressively less favourable. Under the new guarantee arrangement, which would become effective from the beginning of next month, the terms have been made even more unfavourable. The UK knows that the dollar will continue to remain firm against the sterling and that any guarantee of the value of the pound in terms of the dollar might prove a costly proposition. Since the weighted average rate for the pound *vis-a-vis* the major world currencies would be influenced by a number of weaker continental currencies, the weighted depreciation of the pound is likely to be much lower than that *vis-a-vis* the dollar and also its movements were less volatile.

Most of the world's major currencies may be expected to depreciate, in the immediate future, on account of huge payments deficits stemming primarily from steeply rising oil import bills. Since the pound would be in the good company of several weaker but prominent world currencies in its downward movement and since these currencies would influence the weighted average exchange rate of the sterling, its effective depreciation for computing the compensation payable to holders of sterling under the exchange guarantee would be relatively lower. Secondly, even if the sterling slips sharply against the dollar it would not make much of an impact on the effective weighted exchange rate as only about one-eighth of the UK's trade is now with the US.

The continued dilution of the terms of the exchange guarantee has resulted in a decline in the number of countries offering to be covered under the agreement. While the existing agreement is said to cover 62 countries, the new agreement is acceptable to only about 50 countries. Some countries like Kenya, Malawi, Singapore and Zambia which had participated in the previous agreement, have preferred to opt out.

Given the new terms of the exchange guarantee, there is not much excuse for India to continue to be a party to it and, as a result, keep the bulk of its reserves in sterling. The only string that keeps India tied to the UK is the preferential tariff treatment which it receives. Whether the UK finally becomes a full-fledged, unencumbered participant in the planned European Monetary Union of the ECM countries or not, it is worthwhile for India to diversify its reserves in favour of stronger currencies like the deutsch mark, dollar, Swedish kroner, Swiss franc and Dutch guilder. There is no reason why India should wait till the day the UK gives notice of its intention to liquidate its sterling reserve obligations before changing the currency composition of its reserves. Sterling has lost its vitality as a reserve currency and there is nothing to justify India holding sterling balances in excess of those required as working balances. Since we will have to draw on our reserves quite substantially in the months to come, the opportunity should be used to liquidate our sterling balances first before touching other currency balances.

Ethiopia

End of Ancien Regime?

THE military revolt which broke out on February 26 in the provincial capital of Asmara was quickly followed by military and civilian unrest in the capital city of Addis Ababa. The immediate demands of dissident troops led by junior and non-commissioned officers was for a raise in their pay scales. A similar demand was made by 80,000 unionised white collar and service sector employees in Addis Ababa.

As is to be expected, only the organised — and relatively minute — sectors of the Ethiopian population have shown their discontent with a totally feudal and backward regime. The peasantry, which makes up more than 80 per cent of the population, is so greatly exploited and so unorganised that it has been unable to express the depths of its degradation. The agricultural sector in Ethiopia is largely controlled by absentee-landlords who treat their tenants as serfs. Most of the crop produced by these tenant-serfs is taken away by the landlords and sold at higher prices in urban areas like Addis Ababa.

Last year when the rains failed, at least 100,000 peasants died of starvation alone, not counting the tens of thousands who died of diseases brought on by malnutrition because the landlords and the callous Emperor's regime were unwilling to unload their accumulated stocks on the markets for fear of lowering prices. It seems that Ethiopia even exported food stocks while thousands were dying. This year again, seven provinces have been affected by drought conditions and famine threatens 10 million people or nearly 40 per cent of the total population.

But this major impending catastrophe is not receiving much attention while the newly-formed Cabinet under Prime Minister Makkonnen concentrates on appeasing the 55,000-strong armed forces (the second largest in Black Africa, built with massive American military aid) and the urban employees. The troops and the unionised employees have been granted large pay increases, but it is unlikely that there will be no further changes.

So far, except from some student groups, there have been no demands for the removal of the Emperor. But his removal in the next few months seems almost inevitable, considering that the feudal system which props him up is incapable of meeting even the limited reformist demands of the younger officers. These demands include some degree of land reform and steps towards representative government. The military revolt signifies the beginning of the assault on an ancient feudal system.

CPI

Hunting with the Hounds

A Correspondent writes:

NOW that the curtain has been drawn on the current series of elections, the CPI has reasons to feel happy with its strategy of unity-and-struggle *vis-a-vis* the Indian National Congress. Things went wrong only in Manipur, where the preferred strategy should have been against unity, and for struggle. Otherwise, there are no complaints to write home about. The unity in Uttar Pradesh and Orissa has worked out beautifully. In the aftermath of the elections, in both these states the Congress will now have to depend upon the CPI for sustenance, if not for survival. At the same time, the path of struggle followed in the other states has succeeded no less. From Maharashtra, S A Dange's daughter has been returned to Lok Sabha. In Pondicherry, if only the lone representative of the CPM will behave, the anti-Congress alliance struck with the ADMK ought to sustain the party in the vicinity of power. The successful defence of the Coimbatore Lok Sabha seat is another feather in the cap of the unity-cum-struggle theme.

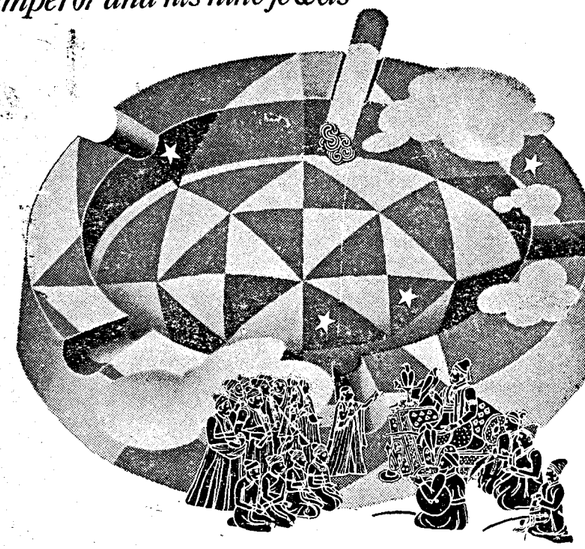
In terms of its own prescriptions, the CPI has not therefore of late put one foot wrong. If the furtherance of Soviet foreign policy demands that the Indian National Congress ought to be supported along a broad front, the strategy of unity-cum-struggle offers the maximum scope for that. On the other hand, if the preservation of its image depends on the fact that every now and then the party must make populist noises and rail against the Congress, the strategy assures the necessary flexibility for that too. On some occasions, of course, beggars cannot be choosers. In both Tamil Nadu and Pondicherry, the CPI went in search of the ADMK not so much to cater to its notion of struggle, but because the Congress preferred the embrace of K Kamaraj. In this instance, though, even the act of making a virtue out of necessity has richly paid off. Be that as it may, this is an enviable position to be in. With a complaisant Indian National Congress benignly looking on, the CPI hunts with the hounds and runs with the hares. In the process, it has succeeded in both improving its parliamentary strength and enlarging its share of official spoils, besides generally converting itself into a busybody. Since it has sworn to retain for itself the prerogative to strike out on its own if circumstances so demand, its leftist image is also in no particular danger of erosion in the immediate period.

Problems may however arise over the intermediate and long run. Till as long as the foreign policy of the Soviet Union remains what it is today, Ajoy Bhavan would have to go flat out in support of the Congress. In the event of the economy continuing to go downhill because of inept management, the Congress could stand altogether discredited in a few years' time. The CPI would nonetheless have to step in and bail out Indira Gandhi. Would its mass base tolerate such an arrangement? It is the weakest sections of the community who suffer the most under the ravages of inflation. The principal contributory factors for their hardships and tribulations, they could not but conclude, are the policies and programmes of the ruling party. Were the CPI, even at this juncture, to offer succour and sustenance to the Congress, it itself might then become suspect; its rank and file could decide to desert it in large numbers.

The CPI policy of unity-cum-struggle might also provoke a different kind of reaction, this time from within the Congress itself. Quite a few will be prepared to describe the dialectics of unity alternating with struggle as rank opportunism. In West Bengal, there is already a clamour within the Congress for ejecting the representatives of the CPI from all official committees, on the ground that the latter's state unit has been extremely critical of the functioning of the Congress government. Complaints of this nature may snowball. The Congress may need the CPI for the sake of the grain and sunflower oil and equipment from the Soviet Union, but this may not be immediately obvious to Indira Gandhi's infantrymen in the states. Their emotional commitment may be to specific local issues, which, more often than not, are class issues; beyond the pale of Kerala, Orissa and Uttar Pradesh, they may like nothing better than to get rid of the CPI, which many amongst them may consider to have grown too big for its shoes.

As the economic situation worsens, Indira Gandhi's ability to discipline the party satraps in the states is also likely to decline. Where the CPI is concerned, the latter may not exactly feel like oozing with amity and goodwill. By now it is not just the leaders and cadres of communist parties who have read tracts on Marxist ideology and Marxist tactics. The enemies of the CPI know about equally well what the party's objectives are, in the immediate period as well as over the long run, and what stratagems it is wont to deploy to further these. For the present the Communists may be provided with enough rope, but the length of the rope may begin to shrink as soon as the so-called objective situation undergoes a change. The CPI could therefore hardly take anything for granted, including its position of vantage in Uttar Pradesh and Orissa. Once events begin to unfold, the Biju Patnaiks and the Charan Singhs could become the favoured ones in place of the CPI by the decision-makers in the Congress. Its anxiety not to surrender the Chief Ministership in Kerala should be an additional factor inhibiting it from driving too hard a bargain with the Congress. One cannot afford to ill-treat the goose that lays the golden egg. There is thus a distinct possibility that the device of unity-cum-struggle, instead of forcing the Congress to the Left, might only succeed in diminishing the CPI leadership into a bunch of cautious conservatives: the lure of power is a great civiliser, it can waylay even those who have hitherto talked exclusively in terms of seizure of power.

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The Gujarat Phase

Romesh Thapar

THE Gujarat crisis is far from resolved. With the Assembly dissolved under massive public pressure, the movement will now gear itself for early elections, possibly before the presidential contest in August even though the legal *pundits* argue that it is not necessary to complete them by that date. The antics of the old politicians, Morarji Desai and the opportunist "leaders" of opposition parties, are designed to push mass discontent in this direction.

The student leadership is not all that naive. Its cold anger at Congress corruption and the incredible mishandling of the situation by the Centre does not mean that the movement is ready to embrace the horrific old politicians who have done so much to destroy the elan of this country. Preferably, the students would like to throw up a new cadre of men and women to shoulder political responsibility. And this may well happen. It may not. But let us not forget that a government has fallen for the first time in India as a result of a student movement.

Those who are cynical about the capacity of a youthful movement like the Navnirman Samiti to provide leadership are unfamiliar with political history, particularly their own when power was transferred in 1947. What was the age of our oldsters at that time? We have got so used to equating experience with the over-fifties that we forget that Nehru mobilised men in their twenties and thirties to lead political formations in the states and at the Centre.

If they can impose the necessary discipline on their excited ranks and build a network of organisation and decision-making in both the urban and rural areas of Gujarat, the activists in Gujarat should be able to throw up some remarkable talent. It will of course consist of many persuasions and tendencies, but then the process of ironing out a political programme will chisel the essential commitments and dispense with irrelevent concepts. The main task is to keep the programmatic approach closely linked to the hard realities of the state's problems. These are not all that terrible, for Gujarat not so long ago had the highest growth rate in India.

It is a pity that Indira Gandhi has been persuaded to run away from embarrassing situations. The failure to visit Bombay city and now the reluctance to view the Gujarat situation on the spot, is in strange contrast to her bold moves ten years ago — visits to the South during the language riots in Shastri's days, to the war front in 1965 and to Tezpur in 1962. Who holds her back? Intelligence work-outs? Bureaucratic concepts of what constitutes leadership? Whatever the truth, it is clear that Indira Gandhi will have to study, Gujarat in Gujarat if the Congress party is to survive as a party.

Those who have their ears to the ground expect a prolongation of the Gujarat-type troubles. Shortages of everything, corruption, high living by the rulers and a never-ending price spiral have turned India into a danger zone. Soon, a foot-dragging government will be facing the kind of dilemma that no government would like to face: shall we import food or oil? Imagine the repercussions each way, political and other. The Gujarat phase is fully entered and has to be confronted with courage and understanding of a special sort, not the caricature of political functioning to which we have become accustomed.

The civil and military observers of the situation are certainly apprehensive about the likely repercussions in areas of adjoining Gujarat — Maharashtra, Rajasthan, and even Madhya Pradesh and Bihar. Discontent is simmering in these regions and the local *dadas* are unconcerned. The Centre's apparent aloofness from these raw facts is all the more surprising now that the presence of a man like the newly-appointed Chief Minister Vengal Rao transforms the mood in much-troubled Andhra.

Admittedly, food rations are not as easily organised as improvements in services and facilities. But our people are patient, terribly patient. They have invariably given silent support to those politicians who have produced some evidence of action-orientation, intelligence, impartiality in decision-making and commitment to a slow and steady improvement in the lot of those who are usually forgotten. Indira Gandhi surely cannot be oblivious of this dimension to Indian politics. Then why are we saddled with so much riff-raff all over the system in her name, creatures who are only committed to making a quick, undeclared rupee?

The Gujarat phase is likely to be tempestuous. Those radicals who always see "fascists" in movements they do not lead had better reform their notions. And if Indira Gandhi is inclined to listen to them to find a convenient cover for the anger that is developing, particularly in urban areas, she too had better re-think the situation. Anti-social elements join every movement, including Garibi Hatao. This fact cannot be used to generalise on an entire situation.

Then, there's that other aspect mentioned factually but not really denounced. There's too much killing going on. Everyday, the newspaper carries this kind of report. It is a commentary on our incompetence to hold situations without bloodshed. After all, when the students of France staged their uprising, paralysing their country for weeks, and indulging in what is described here as hooliganism, not a single person was killed. We need to digest a fact of that kind, we who have chattered endlessly about imperialist-colonialist oppression. I am beginning to wonder what the score would be between us and the British, if someone took time off to compute it!

Yes, there's no doubt in anyone's mind. We have to do a lot of talking to each other if we are going to get through the crises which are building.

March 18

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Calcutta Diary

A M

THE winter is ended, the season of discontent has however only begun. Nearly everyone, it seems, is walking away from his job and is out in the streets, agitating for higher wages: railway guards, power men, engineers, doctors, teachers, municipal employees. The inert middle class has suddenly discovered the need for organised action to protect their living standards. The once-snooty attitude toward the wretched labouring sections who resort to strikes every now and then is gone. Inflation, evidently, is a great leveller.

The point can no doubt be made — and is being made — that what is happening is absolutely scandalous. The poor in the countryside and the unorganised urban proletariat are suffering a lot more than the middle class from rising prices and the growing shortage of essential articles. But so what? If those who have been hit the hardest by the inflation have not mounted a protest, or have mounted one which does not match in intensity the agitation launched by such tribes as doctors and engineers, that is not because the very poor love the phenomenon of spiralling prices: the feebleness of their protest is because of their lack of organisational strength. Those who can will try to protect their interests. Besides, it is basic human nature to compare one's own state of affairs not with the plight of those who subsist below; comparisons are always turned in the other direction. Even were the threat of absolute penury not there, those earning ten to fifteen thousand rupees a year would still judge how they are faring on a relative scale. They find out how, for example, those who were making thirty to forty thousand a year a while ago are doing now; the latter in their turn worry whether *they* have further slipped away in the relative scale *vis-a-vis* those whose annual earnings were a hundred thousand rupees a while ago. And so it goes. In such an atmosphere, moral exhortations lose their currency. Enrich thyself, spake N Bukharin to the Russian kulaks in the 1920s. Enrich thyselves, so too seems to have been the message transmitted by the regime of the land here to the surplus-raising farmers, traders and industrialists. If it is permissible for these categories to enrich themselves by taking advantage of the inflation — and, in the process, by stoking the inflation further —, the emaciated middle class experiences no moral scruples at all in taking to the streets in defence of their own standard of living. Everything is fair in love and war; inflation is war, no less. Everyone is therefore for himself or herself.

GOVERNMENT HAS CAVED IN

This is the major danger the country is going to face as food supplies shrivel up in the coming months. Inflation is bad, the economists say, because it fouls up investment signals, and those with money to invest feel tempted to go for speculation rather than for increased production; thereby the shortage of goods is aggravated and the pitch of the income velocity of money is further queered. These economic effects are still only a veil and a symptom; it is the social and political implications of the process which are still more lethal. Those who work the wheels of production, those who keep the nation's economic infrastructure going, those who switch on the power plants or the flow of water from the irrigation dams, begin to walk away from their jobs as the scourge of inflation spreads and the adjustment in their money earnings fails to cope with the rise in prices. Where they do not exactly walk away, they perform listlessly, grumbling all the while; they could not care less whether output grows at a satisfactory rate, or whether the equipment is being maintained properly. India is not *sui generis*, the kind of wholesale disruption of productive activity currently being witnessed here has happened elsewhere too whenever wages have been unable to keep pace with prices. To appeal to one's sense of patriotism is altogether pointless in this phase. A practising doctor or engineer or railway guard loves the country in his own fashion, he does so despite the fact that he does not hit the newspaper headlines. Talk to him, he might even come to admit that his demand for more compensation against the price rise could set the regime additional problems. But he has reached a stage where he could not care less. A government can demand, and receive, some consideration from its citizens provided it can convince them that, despite its limited options, it is making an honest effort to control prices, or at least is even-handed in its distribution, as between different classes and groups, of the hardships caused by the inflation. Once this basic conviction has evaporated, the situation is beyond redemption.

As one looks around, it is difficult to get away from the feeling that the government has as good as caved in, and invited the devil to take the hindmost. It needs a particular talent to ride inflation. By now a Latin American country knows how to cope with an annual order of price increase of 30 to 40 per cent or more, for it has been at the job for umpteen years: the country's agrarian structure is insulated from the inflation, and periodic adjustments in the exchange rate and injection of resources from abroad take care of some of the residual problems. Even the Latin Americans, though, are having second thoughts: the rate of inflation in Brazil, for instance, has come down from around one hundred per cent in the middle 1960s to just about 12 per cent at present. At our end, the specific skills which go with the management of inflation, skills which are a function as much of attitudes as of practice, are still missing. In per capita terms, the annual injection of foreign resources in the country is not even 5 per cent of what it is for a Latin American nation. Hardly any step has been taken to insulate the country's agrarian base from the impact of spiralling prices either. Public distributions of foodgrains, at relatively low prices, is supposed to cater to the vulnerable sections: one however doubts whether the rural poor, despite constituting as much as 40 per cent of the nation, receive, through the courtesy of the public distribution system, even 1 million out of the total domestic output of 100 million tonnes of foodgrains.

One thus comes back to the basic issue. In this poor land, if you want to control prices, you must begin with controlling food prices. Something must have gone hopelessly wrong with the economy if the per capita national income can fetch only 4 quintals of foodgrains per annum, or if the earnings of at least half the population are not sufficient for buying even 2 quintals of grain over the year. The chief ministers meet and decide to raise further the prices of grains; since they do not do anything to raise the earnings of the poor, by their decision, they only manage to push, at one stroke, a few more millions below the poverty line. By the same act, several others too have their living standards brought a few notches down. Some amongst them, who are organised and have staying power, refuse to accept without demur this erosion of their level of living. From then on, it is a free for all. Traders and farmers, who have the holding power, keep back the stocks of grain, which enable them to push up prices even higher. The rural poor, who have neither the stocks of grain nor staying power, suffer, and suffer quietly. Doctors and engineers and locomen and municipal workers and all the rest, who have some staying power, agitate, go on strike, interrupt output, and thus also become partly responsible for a limited rise in prices. A government which will not lift its little finger against the farmers and traders — on the other hand, will coddle them further — can however have little moral authority to rail against the latter.

It is only March, the lean months are yet to come. Calcutta's dilapidated streets are nonetheless every day getting crowded by mid-afternoon. They march, teachers, industrial workers, housewives, engineers, doctors, municipal employees; slogans rent the air; each group demands compensatory adjustment in wages or a lowering of prices. They need to be provided with some relief. There is however no dearth of Jesting Pilates. While refusing all other kinds of relief to the public, the Railway Minister has decided to restore the concession for travel to hill stations. If you cannot have bread, you can travel to the hills and cool off.

COMPANIES

Too Good To Last?

Hansavivek

BOMBAY DYEING, equipped with 2.05 lakh spindles and 3,770 looms, including 3,770 automatics, has placed an order for 128 new looms of the latest automatic variety, known as Sulzer looms, for a new factory. The purchase of these looms has been financed by a foreign exchange loan obtained from ICICI, and the unit is expected to go into production in early May. To meet the increased yarn requirements, the company has also placed orders for six draw frames and speed frames and 38 ring frames for its textile mills. Also, two new combers and sectional warpers and a package winder have been added. For the new bleach works, a rotary screen printing machine has been ordered, which will be financed through a Dutch credit. An order has also been placed for an indigenous curing machine and two jiggers are on order for the soaping of reactive dyed fabrics. A new imported diesel generating set of 860 KVA is being installed to be used in the event of cuts in power supply. Capacitors have been installed to improve the power factor to effect a saving in the consumption of electrical energy. Last year the company installed new machinery of the value of about Rs 63 lakhs, of which Rs 28 lakhs will be payable in deferred instalments over 5 years under the IDBI's scheme. The company sold the machinery and plant of its ginning and pressing factory at Umri, which had not been worked for the last few years.

The company's total production of cloth during 1973 was 927 lakh square metres, of which 32.5 per cent was exported and 4.16 per cent supplied to manufacturers for export of ready-made garments. Exports brought in Rs 97 lakhs more at Rs 901 lakhs. Exports exceeded the voluntary export obligation of 13.40 million square metres by 16.33 million square metres. The company obtained a higher realisation by exporting superior quality, finished goods. Except for the small quantities manufactured at its own mills, the major portion of the company's obligation under the controlled cloth scheme was fulfilled by getting other mills to undertake the production on its behalf.

The company has turned out very good results for 1973, with increases in sales, margins and earnings. Dividend, stepped up 4 points to 20 per cent, has a much better cover than a year ago. The ratio of wages to sales rose slightly, but that of inventories to sales was considerably lower. The company has allotted bonus shares on a one-for-five basis. These shares will participate in the dividend from the current year. The liability for retiring gratuities is estimated at Rs 255 lakhs, against which a total provision of Rs 160 lakhs has been made.

The chairman, Neville N Wadia, observes that last year prices and profits for the textile industry throughout the world were the highest since the war and that this phase of prosperity is likely to be short-lived. According to him, prices in all markets have levelled off and demand is slackening while costs are likely to rise "alarmingly". He estimates that prices of dyes and chemicals will go up by 30 per cent and of stores by 20 per cent. The cost of power has already been increased by 25 per cent and of fuel oil by 100 per cent from the beginning of the year. He adds that these four items alone will cost his company more than Rs 250 lakhs over what was spent in 1973. The wage bill will be higher by another Rs 125 lakhs. Other factors to be faced are the rise in the price of cotton which can be further aggravated by the shortage of synthetic fibre and the possibility of an increase in the quantity of controlled cloth which all mills will be called upon to produce. He feels that the major part of these increases will have to be borne by the company and that, if things continue as they are, the picture at the end of the year will be "far from rosy".

MAHARASHTRA SUGAR is setting up a glass bottle manufacturing plant at Tilaknagar in Ahmednagar district of Maharashtra with an installed capacity of 6,000 tonnes per annum at an estimated capital outlay of Rs 55 lakhs. The company will invest Rs 30 lakhs of its own and the balance of Rs 25 lakhs will be advanced by SICOM as a long-term loan. The bulk of production will be taken by the subsidiary, Tilaknagar Distilleries and Industries (formerly 'Maharashtra Radio and Electronics') to which the company's distillery, potable liquor plant and cube/confectionery plants have been sold. TDI has issued in favour of the company 145 debentures of Rs 10,000 each and 5,053 equity shares of Rs 100 each fully paid as part of the consideration for the sale and transfer of these assets. As at the end of March 1973, the subsidiary carried a total accumulated loss of about Rs 10 lakhs. Its share capital is Rs 15 lakhs. Maharashtra Sugar has shown a lower gross profit compared to

the previous year, but this is due to a provision of Rs 14 lakhs for the future gratuity liability. As at the year-end, the company's borrowings stood at Rs 60 lakhs against nil a year ago. The ratio of inventories to sales also increased sharply. Dividend, maintained at 16 per cent, was just covered by earnings. No provision for bonus for 1972-73 has been made in the accounts, nor for income-tax of Rs 41 lakhs on agricultural income of earlier years. The company's appeals against the assessment orders are pending.

MADRAS RUBBER FACTORY's proposal for expansion of the installed capacity of the Madras plant from 6.1 lakhs to 10 lakh tyres and tubes has been approved. The necessary balancing equipment is being installed to speedily implement the project. At the Goa plant, which was commissioned in September last, the company has already achieved production of 600 truck tyres per day. With the installation of the balance of imported and indigenous machinery and equipment during this year, the company hopes to reach the licensed capacity of 4 lakh tyres and tubes. With the progressive implementation of additional capacities at Madras, Goa and Arkonam, MRF's production and sales in the current year have been ahead of the last year. The galloping rise in prices of all major raw materials is, however, causing concern to the management. Efforts are being made to get a price increase in tyres, as selling prices have remained unchanged since 1968. MRF has turned out good results for 1972-73, with higher sales and margins. The unchanged dividend is well covered by earnings.

ASIATIC OXYGEN is paying a maiden dividend of 6 per cent for the 13th year ended September last, when the company turned in better results with higher sales and profits. The performance would have been still better but for the shortage of calcium carbide and cylinders and the unsatisfactory position of power supply. The Durgapur oxygen plant remained inoperative last year also, as the supplier could not ship certain essential components. This plant is expected to be recommissioned by June or July next. The company has also taken up the work of setting up a dissolved acetylene plant at Bhadravati. It is trying to acquire cylinders and also hopes to get supply of calcium carbide during the first half of 1974, as the government has decided to import the material. But the power supply position continues to be "very uncertain".

The Week's Companies

(Rs in Lakhs)

	Bombay Dyeing		Maharashtra Sugar		Madras Rubber		Asiatic Oxygen	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 30-9-73	Last Year 30-9-72
Paid-up capital	361	361	137	99	244	244	143	143
Reserves	518	416	103	151	394	267	138	120
Borrowings	849	752	60	—	637	804	63	94
of which Term borrowings	578	374	—	—	452	445	—	—
Gross fixed assets	2534	2181	319	311	1238	888	396	373
Net fixed assets	804	541	118	127	783	670	317	309
Investments	40	30	57	59	6	6	24	24
Current liabilities	1163	802	302	274	448	322	69	48
Current assets	2047	1762	428	339	934	962	71	63
Stocks	1318	1299	203	104	590	582	20	24
Book debts	722	460	120	65	212	275	47	34
Net sales	4433	3833	585	447	2787	2355	225	169
Other income	94	121	20	9	40	53	10	9
Raw material costs	1913	1709	377	263	1855	1581	90	66
Wages	978	834	51	32	218	230	39	29
Interest	94	131	4	4	92	70	8	10
Gross profit (+)/loss(—)	391	272	65	77	305	216	31	24
Depreciation provision	96	100	17	18	120	70	14	13
Tax provision	132	92	28	33	29	46	—	—
Net profit(+)/loss(—)	163	80	20	26	156	100	17	11
Development rebate provision	54	19	1	1	57	44	1	10
Transfer to reserves	37	3	—	3	70	27	8	1
Dividend								
Amount	E 72	58	P 0.50 E 21	0.50 21	E 29	29	E 8	—
Rate (per cent)	E 20	16	P 10 E 16	10 16	E 12	12	E 6	—
Cover (times)	1.51	1.05	1.00	1.13	3.41	1.93	2.00	—
Ratios (per cent)								
Gross profit/sales	8.82	7.09	11.11	17.22	10.84	9.17	13.77	14.20
Net profit/capital employed	9.43	5.23	6.66	10.40	12.23	7.60	4.94	3.08
Inventories/sales	29.73	33.88	34.70	23.26	21.17	24.71	8.88	14.20
Wages/sales	22.06	21.75	8.72	7.18	7.82	9.76	17.33	17.16

Science and Indian Society

E C G Sudarshan

THE twenty-five years since Independence have seen a phenomenal expansion of scientific programmes and growth of national science laboratories. The Council of Scientific and Industrial Research (CSIR) and the Atomic Energy Commission (AEC) are major partners in this national undertaking with equally substantial, but perhaps less spectacular, contributions from the Indian Council for Agricultural Research (ICAR). The research undertaken by various university laboratories has grown significantly in quantity. The number of scientific workers has increased phenomenally and equally has grown the quantity of scientific output measured in terms of research papers and reports. The national expenditure on science research has steadily increased, and while it constitutes a smaller percentage of the gross national product than in many of the prosperous technologically developed countries, it seems to be steadily increasing towards that target.

Two Observations

Two observations about science in India are worthy of record. First, the competence of the better Indian scientists in a number of diverse scientific fields is comparable to their counterparts in other parts of the globe. Any visiting scientist from any country can expect to obtain critical appreciation of his work in a number of different centres in the country, however esoteric or up-to-date his work is. Equally there are a number of Indian scientists whose work is as up-to-date as today's *New York Herald Tribune*.

Second, the national government has taken a genuine interest in the development of science in the country. In addition to the creation of a number of scientific-administrative bodies and commissions like CSIR, AEC, ICAR, ICMR, the Electronics Commission and the Space Commission, there is a Department of Science and Technology in the Central government. Not only do many scientists hold senior policy-making positions in the government, but a very large number of them have their views and opinions solicited by the government. The National Committee on Science and Technology (NCST) has been constituted to take up a continuing study of problems of science and technology in the country. States like Kerala and Mysore are setting up state level bodies with a similar aim. There has been some talk of introducing a National Science Act to spell out the nation's commitment to science.

There are a number of articles about science and by scientists in the numerous periodicals in the country. Many scientists consider themselves nation-builders and are concerned with national problems. At least one excellent journal, *Science Today*, devotes itself exclusively to science. Science is in the air!

These are hopeful signs and one might expect that the Golden Age of Science has dawned in India. But in looking at the scientific scene, we find a number of anomalies. As the *Physics News* pointed out in an editorial, if we look at the spectacular Indian contributions to science during the last fifty years, it is more likely that we would pick on pre-Independence contributions! This is despite the spectacular post-Independence growth in scientific output. In a number of areas, while the Indian contributions are very substantial, they do not stand out as essential; and if they are omitted, world science will not be set back significantly. For the scientific contribution of a nation which is as populous as ours, this is indeed disappointing. It is as if in our anxiety to increase scientific output, we have encouraged competent mediocrity to the detriment of the exceptionals. Not only have we eliminated hereditary royalty, but somehow suppressed intellectual aristocracy.

Perhaps a part of the responsibility lies in the coupling together of science and technology, of viewing science as an ancillary to technology and industry. It is perhaps significant that both the names of CSIR and NCST show this view of the government. This coupling does make available to scientists much more money than might have been available if science was thought of as an intellectual *discipline*. But this is a Midas touch. The science used for technology and for industry is not always the intellectual frontier. It need not necessarily be dull science, but it often tends to be in our pattern of industrialisation. But the most insidious aspect of this coupling is the confusion of technology for science. And the fact that many eminent men of science, like P C Ray and H J Bhabha, were also champions of technology abets this confusion. If you were to talk to someone about science in Kerala, he is almost invariably led to mention the Thumba Equatorial Rocket Launching Station as the leading scientific institution. And why not? Is there something more spectacular or better equipped in the state? Sometimes much excellent science gets done under the cloak of technology like at the Bhabha Atomic Research Centre, but these situations seem to be as rare as statesmen among politicians.

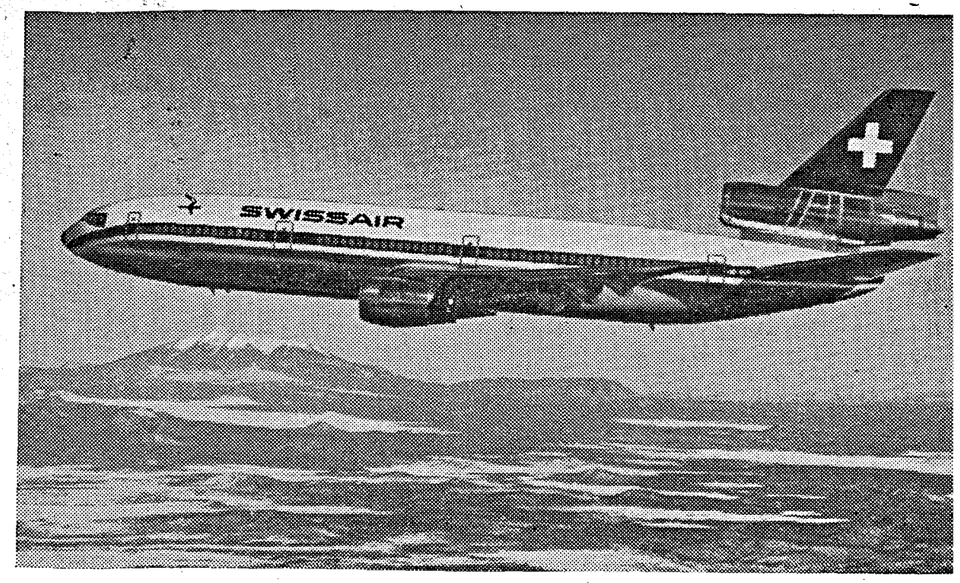
Rife with Paradoxes

The Indian scientific scene is rife with paradoxes. We have probably the largest number of unemployed but highly qualified scientists who are gradually withering away like a flower-shop azalea. At the same time many of our universities have members of science faculties whose competence is abysmally low. The science textbooks of our colleges and schools are often put together by even less competent people, yet we have excellently trained people whose talents are not made use of. Many of them are bitter and disenchanted at not being able to find useful employment. Some of the more "fortunate" ones travel from one temporary job to another in various foreign countries like stateless persons. Our better known scientists are overworked, flitting from city to city, from meeting to discussion, spending a major part of their lives away from laboratory and home in airports and vehicles. Yet we have many gifted ones who are not involved in any of these. We have an exploding scientific research output, yet our children learn from imported textbooks or cheap shoddy books; and sometimes the imported books, too, are shoddy.

Recently both the Department of Science and Technology and the Council of Scientific and Industrial Research have offered to involve unemployed scientists in innovative science and technology plans. Technology adapted to a rural mode of life, science education which is more closely integrated with life, both of these prompt original thinking on the part of the scientists. To view physics and chemistry, biology and economics in terms of life of the children in our villages: to be able to show that the

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most ordinary happenings around us are as much relevant to physical science as experiments conducted in a laboratory filled with gleaming steel and glass cages of sophisticated equipment: to be able to view the world around us scientifically; these are challenges to our gifted and excellently trained scientists.

With the traditional extolling of the integrated man, with the background of *yoga* as the way of life: with all this, how come our scientists are by and large controlled schizophrenics? How come we now lack the leadership of men like P C Ray or C V Raman? Most of all, what is it that we should do so that excellence may find the possibility of surfacing? These are fascinating and important questions. Search for their answers may lead us to re-evaluate our views about national priorities and postures. And it should concern all statesmen.

During my wanderings in the country, I have met a large number of intelligent people who are concerned about these questions; some of them have even partial answers. One of them, the leonine J P Naik, points out that our national concern has so far been in educating the average and not with nurturing the gifted. He emphasises that the sin of omission is at the level of elementary education itself.

Root Cause

Reliance on foreign assessment and acceptance has been cited by many as the root cause for the soullessness of the work of the majority of our scientists. To this, I would like to add our intolerance of the exceptional individual whose social or political philosophy is not in tune with the times. Some people link this with a pathological behavioural syndrome in which people, leaders and the led alike, profess to one set of principles and practise another. We seem to hold up a philosophy of life in which only the rational, the unphilosophic is acceptable. We act as if only a technology-oriented egalitarian socialistic self-sacrificing life style is to be even contemplated. But in practice we destroy our village culture by a society enamoured of gadgets and plastics; we tend to uniformise. Yet most people cherish values of life, common to many, but held on to only privately and guiltily. Does not independence for the nation confer on its citizenry the freedom to examine the philosophy of life?

Science in India is at a crucial stage. It is definitely going to be that there will be more science, much of it directly sponsored by the government. Whether the government will move to eliminate the anomaly of poor science in a country with a surplus of highly trained scientists will depend on the advice it receives from its scientific advisers. But whether science will become integrated with culture, whether India's scientists will become liberated from foreign domination, will depend on the concerted effort of the scientists themselves. And out of this independence may come greatness.

Science and Civilisation

Satyendra Nath Bose

[This article by the late Satyendra Nath Bose was originally published in *Current Thought*, a quarterly published from Calcutta. While sending us the article, A K Das Gupta who was associated with *Current Thought* as a member of its editorial board writes: "The article is an invaluable document — a rare one at that — carrying the views of the great scientist on the prospects of science in the context of modern civilisation. The year was 1941, when the western world was in the midst of a struggle against Fascist Germany; while in our country, as part of the struggle for independence, there was a campaign against western civilisation itself. In this article, one would find Satyendra Nath Bose's reaction to these contemporary tendencies."]

TODAY when a frightful war threatens to destroy the whole structure of modern life, when all the resources of modern science are apparently utilised for destruction and for the enhancement of human misery, such questions as what our civilisation really stands for and what immutable goal we should set before ourselves, naturally crop uppermost in our minds. We have to find out whether modern civilisation and science do promise for mankind blessings of perennial value, which will justify its adoption and cultivation, in spite of the sufferings and woes of war and the complications and tangle in human affairs to which they seem to have always inevitably led. I mention this problem as meriting our immediate and serious attention, as many respected thinkers in various countries have begun to despair of a material civilisation based on science and knowledge. They have concentrated their attention on the darker sides of the present-day existence and hence advocate a return to life of pristine simplicity as the only escape from certain doom. Our immediate surroundings are distressing enough, and immediate prospects do look black indeed. But here the experiences of a single life or a single generation are not sufficient basis for a right estimate of the result of a course of action. The evolution of humanity does not take place in rectilinear paths of progress so as to allow us to predict our destinies from a close-up view of a given situation. We have to forget our personal discomforts and return to long-term records for a right and proper judgment. We cannot ignore that men have fought and killed since the beginning of history, and humanity have often pulled down edifices of brilliant civilisations in the past only to transform and rebuild the structure on a grander scale. Life continually advances through mazes of decreasing complexity, and we must not be frightened by its occasional forbidding outlook and must not release our hold on treasures already acquired. Progress demands a life of vigilant and incessant toil. There is no prospect of indolent repose and carefree happiness on the way — blissful states which we all dream of but never seem to realise except perhaps individually by a reckless renunciation of all human activities.

Resolute Optimism

We work and strive not for leisure, but for a mastery over the forces of nature. We unite and co-operate with a view to greater freedom and scope for our creative instincts. Individuals, communities and nations have already ceased to live if they begin to pine and crave for happiness, feel tired of the miseries and drop down on the thorny way. I should, therefore, plead for a resolute optimism. Stories of the happy past should not lead us astray, nor should we in violence to the spirit of life set our face against the demands of modern civilisation.

I do not, however, say that we should shut our eyes to the obvious defects of our present-day economy, but I feel that we should all respect the spirit of the times. As free men

we should compare the merits and prospects of different courses of action and adopt finally what seems best adopted to our own needs. The evils of the present day are patent to all, but we should not forsake the acquirement of knowledge if knowledge has by improper use temporarily enhanced our miseries. If the discoveries of chemistry are utilised for fabricating engines of destruction during the present war, we should not blame the devoted band of selfless scientists who have sacrificed their valuable lives in discovering secrets of nature. If poisonous gases have been synthesised, so also have been the valuable remedies which bid fair to free men from the scourges of terrible diseases. If motor cars and aeroplanes are now utilised for the destruction of men and property, we should not forget that they have also helped to bring men, communities and nations closer together, and have thus helped materially to dispel prejudices and misrepresentations born of distant isolation. Machinery, factories and modern workshops have made life difficult for people who have not learned how to adapt themselves to modern conditions. They have brought them unemployment, and have helped their exploitation by their more adventurous neighbours. The remedy, however, lies not in a permanent refusal to change and in sticking to primitive ways. Perhaps in some unfrequented spots antediluvian forms of life still continue to survive and raise progenies occasionally. We do hear of the discoveries of monsters and of archean forms of life. The general march of evolution has already left them far behind, and life in its victorious march will not now pause and cogitate on the relative advantages of previous modes of existence. The divine urge has already evolved more complicated forms; and, however unexpected may be the next steps in evolution, we cannot reasonably hope for a direct return to the previous types. The greatest efficiency in machines is realised by a harmonious adaptation of its use to its purpose, and forms that survive by competition succeed only by removing artificial constraints and by adopting better and more economic methods. In the economy of life we have also to adopt a similar procedure. We should have the courage to reject the age-worn customs and adopt methods suited to our modern needs if we are convinced of the necessity of continuous adaptation to changing circumstances in the competition for survival.

The cause of science will require no preaching or persuasion. Science is really the store-house of human experience. The records of innumerable attempts and failures are there to teach us what to avoid, and records of successes are there to guide us in our search. In a sense science is not the product of modern civilisation but is really its progenitor — a symbol of human progress. Its sources are lost in ancient Chaldea and Egypt, as also during those golden days in our country. Even then there were machines and labour-saving devices, and secrets of nature were as zealously sought for by the ancestors as by their modern offsprings. Maybe the secrets were then more closely guarded. Small bands of men in every country perhaps utilised their opportunities which their knowledge provided them to exploit their simpler brethren much in the same way as more advanced nations now exploit the more backward ones. Then, as now, men of science were occasionally called upon to devise means of fighting sanguinary wars, while they devoted their knowledge to further the cause of mankind in times of peace.

Common Heritage of All Mankind

In a certain sense modern times offer for us greater possibilities and call for greater efforts. The secrets of nature are no longer closely guarded within a select coterie but are regarded as a common heritage of all mankind. We need no longer feel helpless in sickness and pray for magic or divine dispensation to heal our sufferings. We need not blindly follow customs and practices simply because our ancestors had found them sanitary and wholesome, nor need we feel ourselves overwhelmed and grovel before the blind forces of nature. It is true that we cannot even now avoid accidental disasters. Earthquakes may even now shake down cities; floods may overwhelm a whole countryside; or terrible visitations of epidemics may paralyse temporarily all activities in a locality. We are, however, better equipped than ever for quick recovery from such visitations. Our pioneers are ceaseless in their efforts for ultimate mastery and control, and in many fights against natural odds humanity has emerged as the victorious master. The peculiar difficulties of any nation need not cause permanent despair. It only needs courage and the will to adopt suitable means to solve its own problems. There are illustrations in history to cheer it in its struggle, and no doubt need arise regarding the ultimate result if it resolutely faces the situation and seeks inspiration from history and human records. Prejudices have always been awkward fetters, and readiness to sacrifice even our most cherished heritages may be the most relentless demand of the time spirit before it blesses its undertakings with success.

Real Hope Rests with Human Spirit

The ultimate success of any civilisation rests not on its fund of knowledge nor on its machinery and laboratories and workshops, but on the quality of its men. It is not the iron discipline and a vast organisation that always succeed in the end. A nation has also to foster the band of free spirits, of bold and indomitable workers and of keen thinkers who, if reason and logic demand, would not shrink from speaking out the most unpalatable truth. Greatness can only be aspired after by free men. The real hope rests with the human spirit and not on material possessions. Illustrious heritages of science will not be of any avail at critical times if, in pursuit of a short-sighted policy of the state, a country has gagged its thinkers and dragooned its people to servile flattery and cowardly complaisance.

Apparent and temporary success often tempts us to deny this simple truth. Examples of immediate success often tempt us to forsake the eternal verities and sing the praises of discipline and organisation at a sufficiently high key to drown the simple notes on truth. We require discipline and organisation no doubt, — the discipline that comes naturally to free spirits who co-operate to realise a common high ideal. The forces of persecution should not be launched against the lone spirit who feels impelled to speak out what he honestly believes to be true. Perhaps each nation feels itself charged with the high mission of working out the destinies of the whole human race! But let us hope that the world is still wide enough to allow different nations to settle down in mutual amity and goodwill, each relying on its own powers and resources to work out its own progress and not on the exploitation of its helots as the only sure means of aggrandisement and glory.

MAHARASHTRA

Land-Grabbers of Malinagar

MALINAGAR is a village in Malshiras taluka in Sholapur district. It is fertile sugarcane area, serviced by the Nira river irrigation system. When the British government first built the Nira irrigation system, the local farmers, long used to raising a single rain-fed crop, would not use the waters of the canals. The authorities then appointed the Kamat Committee to find out why the agriculturists were not using the water. The Committee recommended the import of farmers from outside who were more used to irrigated farming. Thus a few families from Poona district and adjoining areas were inducted into Malinagar.

These new inhabitants took over the lands from the local 'backward' farmers on lease and started large sugarcane farms. To use the cane produced on their farms, they established a joint stock company called the Malinagar Sugar Factory Private Limited. Each of the families owned 150 to 200 acres of land. In course of time, some of the farmers bought the lands taken on lease from the poor farmers. In any case, soon after Independence came the land to the tiller Act which brought the rich farmers ownership of the lands leased by them. The original owners lost their lands once and for all and became landless workers.

Then came the land ceiling legislation in 1960. Under the new Act, the ceiling applicable to perennially irrigated lands, such as those of the rich sugarcane farmers of Malinagar was 18 acres per member of a family. Had the ceiling been enforced, large chunks of the 150 and 200-acre holdings would have been declared surplus. The farmers, therefore, prepared a well thought-out plan to defeat the Act and retain their lands intact with the help of obliging revenue officials, from the assistant collector down. The leaders of the farmers and the officials, it is alleged, simply decided to do away with the land ownership records, called the 'Sat Baracha Utara' in Marathi, and to fabricate new records which would show the ownership of the lands to be so distributed that none of the rich farmers would have land above the ceiling limit.

Having created the new ownership records, the rich farmers and officials set about destroying the earlier records. For this purpose they gathered one day at the sugar factory's posh guest house. The officials had brought the original land records which they ordered one of the village watchmen to burn, while they, together with the farmers, settled down to celebrate the success of their operation. Liquor flowed like water and glasses were emptied one after another. The village Kotwal, however, knew the importance of the documents which had been ordered to be burnt. Under the pretext of tearing off a few sheets here and there, he managed to ferret away the complete records relating to many plots of land. He then went to the original owners of the lands and offered to part with the records for a consideration.

It is said that in return for a few rupees the Kotwal gave the records which had been ordered to be burnt to the original owners who took them to the Peasants and Workers Party legislator, Ganpatrao Deshmukh. With such incontrovertible evidence in his hands, Deshmukh raised the issue in the Legislative Assembly in 1963 and pressed for an inquiry. In the face of his persistent demands, the state government was forced to hand over the matter to the anticorruption bureau for an inquiry. The anti-corruption bureau took about three years to complete the investigation and finally submitted its report to the government. The report went to the Chief Minister himself for action. According to reliable sources, the anti-corruption bureau's investigation showed that the allegations made by Ganpatrao Deshmukh were true. Chief Minister V P Naik did not take any action on the report. In fact, the report remains in cold storage till today.

The anti-corruption bureau is said to have submitted its report sometime in 1966, that is almost eight years ago. Further, it is said that the findings of the report are so conclusive that it would have taken the government's legal department only a few days to frame charges and file cases against the officials and farmers concerned. Why, then, did the Chief Minister sit tight on the report? In the absence of any other even remotely plausible explanation, what conclusion can one draw except that the Maharashtra government and the Chief Minister were so anxious to protect the interests of the rich farmers of Malinagar that they were prepared to tolerate not only the subversion of their own laws but the deliberate destruction and falsification of government records?

Unfortunately for the government, Ganpatrao Deshmukh, who had been defeated in the 1972 elections, returned to the state Assembly through the recent by-election from the Sangola constituency in Sholapur district. Deshmukh once again raised the issue of the Malinagar enquiry through the leader of his party, D B Patil, in the Assembly on March 18. D B Patil brought up the subject through a cut motion on the budget demands of the Home Department. The cut motion was rejected, but an assurance was extracted from the government that it would take action on the basis of the findings of the anti-corruption bureau's report. In the discussion in the Assembly on the subject the government was clearly on the defensive. No explanation was forthcoming as to why no action had been taken for so many years, though the Home Minister, Sharad Pawar, sought to refute the allegation that the Chief Minister had a soft corner for the affluent farmers of Malinagar. He assured the House that the government would proceed with the cases against the guilty as soon as "faultless cases" were framed by the legal department. How long this would take, he was still not prepared to say.

Naturally, the government will not even consider releasing the anti-corruption bureau's report. But according to one guess estimate, about 5,000-10,000 acres of land would have become surplus if the original land records in Malinagar had remained intact. The anti-corruption bureau, it is also reported, had done a good job and had collected a large volume of evidence.

The story of what happened to the land records of Malinagar has to be set against the claims of the Maharashtra government, repeated again and again at meetings of the Planning Commission or in the National Development Council or in the state Assembly that "Maharashtra is the only state in the country where the land records are perfect, up-to-date, with each landowner having his land book in his possession"!

Dear Money, Indeed!

THERE is a general impression — fostered by the Reserve Bank, the commercial banks and industry and trade — that in the last few years the monetary authorities have pursued a 'dear money' policy and that bank credit has been made expensive — some might complain, even exorbitantly so. The Reserve Bank has just released data on commercial banks' advances, compiled on the basis of the first returns under the new reporting system known as the Basic Statistical Returns (BSR) introduced in December 1972. Among other aspects, the data cover the distribution of credit limits and actual outstandings by interest rate. The data relate to a single point of time, December 1972, and so it is not possible to deduce from them whether bank credit had been made more expensive. But they do show that, in absolute terms, credit was anything but expensive. A sizeable proportion of total credit actually carried interest at 6 per cent or less!

The most crucial return under the BSR system is BSR 1 (Part 1), in which commercial bank branches furnish details in respect of every loan account with a credit limit of over Rs 10,000. The details relate, *inter alia*, to type of credit (cash credit, overdrafts, export credit, etc), type of industry and sector (public/private) and interest rates charged. For each aspect, there is information on number of accounts, credit limits and actual amount outstanding. "Banking Statistics: Basic Statistical Returns" (Vol 1, December 1972), published by the Reserve Bank, presents the data tabulated on all of these and many other aspects of commercial banks' advances — size-wise credit limits and state-wise and district-wise advances (and deposits), each classified industry-wise, etc.

According to the distribution of credit limits and advances outstanding, there were credit limits totalling as much as Rs 1,493 crores in the interest range of 6 per cent and below at the end of December 1972 (see Table). This is puzzling, to say the least.

The only two important categories of commercial bank advances which should normally attract such low interest rates are export credit and credits under the differential interest rates scheme. The latter is obviously excluded from the data under discussion since they relate only to accounts with credit limits of over Rs 10,000. Even if a borrower has a total limit of over Rs 10,000 distributed over different types of facilities (e g, cash credit, overdraft, bills, etc), but each of these facilities separately has an individual limit of Rs 10,000 or less, all such accounts are excluded from the coverage of BSR 1 (Part 1). In other words, most really small borrowers, under the differential interest rates scheme as well as others, do not figure in the above data. Thus as many as 39.24 lakh accounts with credit limits of Rs 884 crores and credit outstanding of Rs 502 crores have been excluded. It cannot be suggested, therefore, that the large volume of advances at 6 per cent and less has gone to small borrowers.

The only possible explanation for large credit limits at interest rates of 6 per cent and less is that the limits relate to export credit. A closer look at the data, however, shows that, as at the end of December 1972, limits for export credit (packing credit plus export bills) amounted to only Rs 926 crores as compared with the total limits of Rs 1,493 crores carrying interest at 6 per cent and less. Further, even for export credit the Reserve Bank had increased the ceiling interest rate from 6 per cent to 7 per cent per annum for both pre-shipment and post-shipment credit as early as in April 1971. The only exception to this was credit provided for exports on deferred payment terms for which the old ceiling rate of 6 per cent was continued. But credit for exports on deferred payment terms forms only a very small part of total export credit. For almost all of export credit, therefore, the ceiling rate was 7 per cent at the end of December 1972. Here it may be recalled that the ceiling rate on export credit had been stepped up to 7 per cent in April 1972 after the Bank rate had been raised to 6 per cent in January 1971. According to the Reserve Bank's Annual Report for 1970-71, the ceiling rate on export credit had been raised "with a view to bringing about a proper realignment of the structure of interest rates charged by scheduled commercial banks on export credit". Evidently, this objective was not achieved since the banks seem to have continued to charge interest rates of 6 per cent and below on export credit.

More important, even after all of export credit is excluded, there remain credit limits of Rs 566 crores at interest rates of 6 per cent and below which call for explanation. Some interesting light is thrown on the problem by a two-way classification of credit limits by (i) interest rate range and (ii) industry (occupation). According to this classification, of the amount of Rs 1,493 crores, as much as Rs 544 crores was for wholesale and retail trade, wholesale trade accounting for Rs 519 crores and retail trade for another Rs 25 crores. Under wholesale trade is presumably included credit given to public sector agencies for food procurement, for trading in raw cotton and jute and also for fertiliser distribution. None of these advances, however, falls in the category of advances which attract interest at 6 per cent or less. Food procurement credit was reportedly being given at 8.5 per cent in December 1972. Food procurement credit probably accounts for the bulk of the credit limits of Rs 510 crores for wholesale trade within the interest range of 8 to 9 per cent. Credit for fertiliser distribution is extended at 7 to 8 per cent, while that for public sector trading activities in cotton and other commodities is said to have been charged interest at more than 10 per cent. Who, then, were the wholesale traders who were given credit limits of Rs 519 crores at interest rates of 6 per cent and less?

The manufacturing industrial sector, including mining and quarrying, too appropriated credit limits amounting to as much as Rs 588 crores at 6 per cent and less. While every conceivable industry had been given advances at such ridiculously low cost, the most prominent beneficiaries were cotton textiles (Rs 108 crores) and engineering (Rs 118 crores). It is interesting to note that in respect of both these industries, the total credit limits for export purposes were substantially lower than their credit limits at interest of 6 per cent and less. For textiles, export credit limits were just Rs 41 crores out of Rs 108 crores and for engineering they were Rs 83 crores out of Rs 118 crores. The disparity is particularly glaring for cotton textiles. It would be of interest to know which class of units in the textile industry got such large credit limits at such low interest rates.

Likewise, credit limits at 6 per cent and less for retail trade and under 'personal loans' (including for purchase of consumer durables) amounted to Rs 25 crores and Rs 44 crores, respectively. Possibly a part of the latter amount may be accounted for by loans given against fixed deposits. Credit limits at 6 per cent and below for agriculture amounted to Rs 13 crores. The amount may be small but it is of some significance considering that even small loans covered under Credit Guarantee Scheme or those of the Credit Guarantee Corporation attract interest at rates higher than 6 per cent.

Though only credit limits extended at the lowest interest rate range of 6 per cent and below have been discussed here, as will be seen from the Table, very large credit limits had been extended at interest rates ranging from 6 to 8 per cent and from 8 to 9 per cent, which must be considered low in relation both to the cost structure of the banking industry and to the Reserve Bank's dear money policy initiated in early January 1971. Over 40 per cent of all credit limits extended by banks were at interest rates of 9 per cent and less. If the data are at all reliable, then it is clear that even as recently as in December 1972 the banks were allowing large borrowers to appropriate a big chunk of their advances at interest rates which did not cover their costs so that they were in effect subsidising these borrowers. In the case of the nationalised banks this subsidy was, of course, at the expense of public revenue.

It is interesting that these same banks become acutely cost-conscious when it comes to financing, say, small farmers and artisans or to opening branches in rural areas. As a result of their sustained propaganda about the 'uneconomic' character of rural branches, they have been allowed in the last two years to sharply cut back on the number of branches opened in rural areas and small towns!

TABLE: SCHEDULED COMMERCIAL BANK CREDIT, BY INDUSTRY AND INTEREST RANGE
(As on the last Friday of December 1972)

(Rs crores)

Occupation/Industry	Less than 6 Per Cent		6 to 9 Per Cent		9 to 11 Per Cent		More than 11 Per Cent		Total (Including Unclassified)	
	Credit Limit	Amount Outstanding	Credit Limit	Amount Outstanding	Credit Limit	Amount Outstanding	Credit Limit	Amount Outstanding	Credit Limit	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Agriculture and allied activities										
Agriculture	6.1	2.4	140.0	83.3	178.6	96.1	19.2	8.3	348.5	190.1
	(1.7)	(1.3)	(40.2)	(43.9)	(51.3)	(50.5)	(5.5)	(4.4)		
Direct finance[1]	1.3	0.8	17.1	9.8	101.0	59.0	6.1	4.9	130.0	74.4
	(1.0)	(1.0)	(13.2)	(13.2)	(77.7)	(79.3)	(4.7)	(6.5)		
Indirect finance	4.8	1.6	122.9	73.5	77.6	37.1	13.2	3.5	218.5	115.7
	(2.2)	(1.4)	(56.2)	(63.5)	(35.5)	(32.1)	(6.1)	(3.0)		
Allied activities	0.8	0.2	11.9	6.3	23.1	19.4	1.6	1.4	37.5	27.3
	(2.1)	(0.7)	(31.9)	(23.2)	(61.6)	(71.0)	(4.3)	(5.1)		
Plantations	6.2	2.5	52.3	30.0	105.1	63.7	11.6	9.4	175.1	105.6
	(3.6)	(2.3)	(29.9)	(28.4)	(60.0)	(60.3)	(6.6)	(8.9)		
Total	13.1	5.1	204.3	119.7	306.8	179.2	32.4	19.1	561.1	323.0
	(2.3)	(1.6)	(36.4)	(37.0)	(54.7)	(55.5)	(5.8)	(5.9)		
Industry										
Mining quarrying	6.9	2.4	28.1	24.0	6.3	44.7	6.6	5.6	101.9	76.7
	(6.8)	(3.1)	(27.5)	(31.3)	(59.1)	(58.2)	(6.5)	(7.3)		
Manufacturing	541.4	212 9	954.4	492.4	3429.6	2108.3	517.0	297.0	5444.3	3112.1
	(9.9)	(6 8)	(17.5)	(15.9)	(62.9)	(67.7)	(9.5)	(9.6)		
Sugar	6.9	3.2	10.0	1.8	232.0	65.4	8.5	3.8	257.4	74.1
	(2.7)	(4.3)	(3.9)	(2.4)	(90.1)	(88.2)	(3.3)	(5.1)		
Edible oils and vanaspati	18.3	6.3	24.2	18.8	37.7	22.9	40.8	21.1	121.1	69.2
	(15.1)	(9.1)	(20.0)	(27.2)	(31.2)	(33.0)	(33.7)	(30.5)		
Cotton textiles	107.8	41.2	60.1	42.3	415.7	270.5	144.6	71.8	728.4	425.9
	(14.8)	(9.7)	(8.3)	(9.9)	(57.0)	(63.5)	(19.9)	(16.9)		
Jute textiles	6.7	4.4	67.2	43.2	72.0	53.5	3.3	3.6	149.2	104.5
	(4.5)	(4.2)	(45.1)	(41.3)	(48.2)	(51.0)	(2.2)	(3.4)		
Paper and paper products	12.7	6.4	11.3	7.4	108.8	77.8	18.2	13.0	151.1	104.4
	(8.4)	(6.1)	(7.4)	(6.0)	(72.0)	(74.5)	(12.1)	(12.4)		
Leather and leather products	19.2	12.0	35.4	25.8	18.5	15.2	2.8	2.4	75.8	55.5
	(25.3)	(21.6)	(46.8)	(46.5)	(24.3)	(27.5)	(3.7)	(4.4)		
Chemicals	39.2	15.1	125.3	51.7	364.7	204.2	40.9	27.7	570.1	298.8
	(6 9)	(5.1)	(2.0)	(17.3)	(64.0)	(68.4)	(7 2)	(9.3)		
Cement	3.8	1.1	6.2	2.9	52.1	31.1	1.0	0.3	63.2	35.3
	(6.1)	(3.1)	(9.9)	(8.0)	(82.7)	(88.0)	(1.5)	(0.9)		
Basic metals and metal products	47.7	21.9	97.3	49.6	440.8	303.8	37.9	26.2	623.7	401.6
	(7.7)	(5.4)	(15.6)	(12.4)	(70.7)	(75.7)	(6.0)	(6.5)		
Engineering	111.5	37.5	252.5	120.5	651.6	437.3	63.6	38.2	1079.4	633.6
	(10.3)	(5.9)	(23.4)	(19.0)	(60.4)	(69.1)	(5.9)	(6.1)		
Professional services	0.5	0.4	1.9	1.5	10.9	6.3	4.0	3.1	17.3	11.2
	(3.1)	(3.7)	(10.9)	(13.0)	(62.8)	(55.8)	(23.2)	(27.5)		
Artisans and craftsmen	0.3	0.2	0.4	0.2	1.4	1.3	0.7	0.4	3.2	2.1
	(9.8)	(10.0)	(12.0)	(11.0)	(54.9)	(60.3)	(23.4)	(18.7)		
Total	588.3	230.0	1063.6	568.7	3752.0	2325.0	584.4	347.9	5990.4	3472.8
	(9.8)	(6.6)	(17.8)	(16.4)	(62.6)	(67.0)	(9.8)	(10.0)		
Trade										
Wholesale trade	518.8	107.0	752.7	219.8	253.6	193.5	287.3	113.6	1847.1	665.8
	(28.1)	(16.1)	(40.8)	(33.0)	(13.7)	(29.1)	(15.6)	(17.1)		
Retail trade	24.8	7.8	18.0	12.2	133.2	70.3	88.5	33.3	264.8	123.6
	(9.4)	(6.3)	(6.8)	(10.0)	(50.3)	(56.9)	(33.4)	(26.9)		
Personal loans	43.5	36.5	37.0	25.3	36.8	24.4	10.2	7.2	127.5	93.5
	(34.1)	(39.0)	(29.0)	(27.1)	(27.3)	(26.2)	(7.9)	(7.6)		
All others	304.1	75.4	335.3	100.0	174.3	133.1	88.3	49.4	911.2	372.6
	(33.4)	(20.2)	(36.9)	(26.8)	(19.1)	(35.7)	(9.7)	(13.2)		
Total Bank Credit	1492.6	4615.8	2410.8	1045.6	4656.7	2925.5	1091.0	570.4	9702.0	5051.4
	(15.4)	(9.1)	(24.8)	(20.7)	(48.0)	(57.9)	(11.3)	(11.3)		

Note : Figures in brackets represent percentages to respective totals in columns 10 and 11.

TAMIL NADU

With Leaders Like These...

THE nearly 1.5 lakh workers of the 208 textile mills in Tamil Nadu went on a month-long strike from February 1, 1974, demanding *inter alia*, 35 paise per point above 340 points in the Madras cost of living index as variable DA and an increase of Rs 10 in the fixed DA and Rs 35 in the basic wage. The strike came more than a year and a half after the appointment of the Arunagiri Textile Conciliation Commission, consequent on a strike in February 1972. The Commission had failed to produce a unanimous report. The proposals put forward by the Commission's chairman, though far from favourable to the workers, were rejected by the millowners. When the government continued to drag its feet over the issue, the workers struck work. Then came promptly the government's reference of the dispute to adjudication which thrilled the hearts of the millowners. Barring the INTUC and the Workers' Progressive Federation of the DMK, all the unions — AITUC, HMS, CITU, ADMK, TNTUC (Cong-O), UTLA and STU — were arrayed against the millowners. The workers, incensed by the unilaterally decided adjudication, overwhelmingly responded to the strike call and a united struggle, on a scale hitherto unknown, emerged. The disruptive role of the INTUC and DMK leadership — the former had announced a later date to go on strike and the latter had openly called for blacklegging — was thwarted by their own followers who, ignoring their bosses, threw in their lot with their co-workers.

Compared to their counterparts in Bombay and Ahmedabad and in the northern states and compared to workers in other industries, textile workers in the south have had a raw deal over the past several years. Their work-load has continuously risen while their strength has fallen. In 1947 in the area corresponding to the present state of Tamil Nadu there were 66 mills with 15 lakh spindles and 1.25 lakh workers; the figures for 1973 are 208 mills, 55 lakhs spindles and 1.24 lakh workers. The figures published by the South India Millowners' Association show that between 1956 and 1970 the productivity of the weaving-cum-spinning factories rose by 66 per cent; taking all the textile factories together, the rise was 100 per cent. Between 1969 and 1970 alone, the average productivity of spindles rose by 21 per cent. Yet the workers' demands, aimed only at minimising further erosion of their living wages as a result of the rising prices, have been persistently rejected by the millowners despite their own rising profits. Oozing concern for the plight of the country's workers, R Doraiswamy, President of the South India Millowners' Association, wrote to the Arunagiri Commission, "Ours is a poor country. When the whole country is passing through a crisis, how can we justify the demand that textile labour alone should be given a better deal? When every worker in this country today is condemned to a life of suffering, where is the need to exempt textile labour alone from this? Does the world exist for the exclusive welfare of textile labour?" (retranslated from Tamil). The Millowners' Association alleged that the minimum wage of Rs 240 of a textile labourer in Tamil Nadu was adequate to ensure him a fair standard of living!

Betrayal by Action Committee

Forced by the compulsions of the election in Coimbatore, where 85 of the mills are located, and sensing the rebellious mood of even the workers shepherded by the DMK and the INTUC, the government quietly forgot about adjudication and invited the parties for negotiation, as in the case of the Madras Rubber Factory struggle three years ago. Ten days after the strike had begun, when the morale of the workers was at its peak, the Strike Action Committee chaired by an HMS representative, did a quick turn-about and accepted the Labour Minister's formula which was in fact the managements' own proposal. The HMS and AITUC leaders had, from the start, acted as the government's brokers, insisting that the Action Committee's Convenor alone should negotiate with the Minister, putting pressure on the other members to lower the demands and making stealthy proposals to the Minister. The CITU, rejecting the Minister's proposal, publicly denounced the Action Committee's "betrayal" of the workers as it had clearly violated the understanding that the consent of the plant level workers' representatives must be obtained before accepting any offer below the already authorised amount. The Committee retaliated by expelling the CITU from its deliberations unless it offered an apology for its "disruptive" role.

The Committee did not dare face the general body of workers after the exposure. When some of the veteran trade union leaders toured the textile centres to explain their acceptance of the proposal, they were greeted with showers of slippers. In Madurai, the union bosses had to change the venue of a workers' meeting at the very last moment to save themselves from the fury of the enraged workers assembled in thousands at the previously fixed place.

Despite this abject surrender, 'industrial peace' was slow in coming. Sensing the pusillanimity of the workers' leadership, 42 of the mills refused to accept even the compromise formula. Faced with such defiance, the Committee could not capitulate fully without at least a touch of bravado. Hence, the bosses put on a show for another two weeks and clamoured that no settlement will be made unless it covered the entire industry. Anybody could tell that all this was a farce. The less hypocritical leadership of the INTUC and DMK called off the strike which they had never in fact backed.

On March 1, the Action Committee on bended knees signed the document which it had rejected two weeks earlier. The INTUC leaders ridiculed, with legitimate contempt, the militancy of the other unions which they claimed had only resulted in further loss of production and wages. The four-year settlement gave the workers a net increase of Rs 30 (29 paise over the present 26 paise in DA from January 1974 and 30 paise from January 1976, rise in basic wage of Rs 7.50 from 1974 and another Rs 7.50 from January 1976 and arrears of Rs 200). The workers of 42 mills, including the 13,000 men of the Buckingham and Carnatic Mill, were left in the lurch with only a promise of negotiations in future to settle their fate. The settlement did not even guarantee that the lock-out in all the mills where the strike had been withdrawn would be lifted but only held out an assurance that the Labour Commissioner would "advise" the mills to do so. The CITU, the lone dissident, which was not a signatory to the agreement, could continue the strike for only one more day, as the large majority of workers had resumed work.

Some trade union circles believe that but for the elections which coincided with the strike period it might have been possible to mobilise the workers better against the betrayers and for a more favourable settlement. To a large extent, electoral politics seems to have overshadowed the issues raised by the strike. This only reiterates the predominance of economism in the textile workers' movement, as in most other workers' movement in Tamil Nadu.

Despite the shortcomings of the agreement one cannot underestimate the significance of the struggle which lay not so much in its militancy but in that it embraced the overwhelming majority of the workers — out of the 208 mills only 26 stayed away —, despite the multiplicity of unions, their rivalries and the treachery and reformism of the big union bosses. In the late thirties and forties the textile workers of Tamil Nadu, and of Coimbatore in particular, had weathered the worst repression — in the 1940 strike of Stanes Mill, 11 workers, including a woman, had been shot dead in a single bout of police violence within the factory — but never before had the mass of workers, split on so many counts, stood so united as in the recent strike.

NORTH

Judiciary's Blow against Land Reform

LARGE and medium landlords in Punjab have hailed as "the happiest news of the year" the Punjab and Haryana High Court's judgment declaring vital provisions of the Land Reforms Act, 1973, *ultra vires* of the Constitution. On March 6, Chief Minister Zail Singh announced in the state assembly the government's intention to appeal to the Supreme Court against the judgment. The state's legal advisers believe that the government's case is a strong one and that the appeal would succeed; if it does not, the new agrarian reforms will collapse.

The High Court has struck down the very basis of the new ceilings law — the unit of ownership for fixing the ceiling on holdings. About 30 writ petitions had challenged the constitutional validity of the Punjab Act and the rules framed under it. The definition of the word "person" given in section 3 insofar as it includes the family has been declared unconstitutional. *Ipso facto*, the court has rejected the prescribed mode of payment of compensation for land that would have been declared surplus if the new basis of fixing the ceiling — the family instead of the individual (in accordance with the Central government's directive) — had been upheld.

To dispel the suspicion of not having defended its case in the High Court forcefully enough, the state government has decided to engage some of the country's topmost lawyers to argue the appeal in the Supreme Court. To make things doubly sure, it has urged the Centre to amend the Constitution so as to include the Land Reforms Act in the Ninth Schedule, thus taking it out of the courts' purview. Under Article 31-B of the Constitution, the provisions of Acts and Regulations specified in the Ninth Schedule shall not be deemed to be void on the ground that they are inconsistent with or take away or abridge any of the rights conferred by the Constitution.

At its annual session last month the Punjab Khet Mazdoor Sabha had criticised the state government for not taking timely steps to include the Land Reforms Act in the Ninth Schedule. The Sabha also deplored the government's lapse in not setting up statutory land reforms committees as has been done in Kerala. The government had rejected the Sabha's plea for cancelling, by a legal enactment, all 'benami' transactions in land effected since 1953. The Sabha had argued that this would "unearth large surplus areas".

Scandals Galore

The post-mortem operations done by the Punjab Assembly's Committees on Public Accounts and Public Undertakings in recent years have revealed numerous acts of omission and commission by government departments. The findings of these committees this year indicate a distinct worsening of the standards of administration. Some of the irregularities and acts of favouritism have cost the exchequer substantial sums of money. For instance, a Rs 10-lakh loan advanced by the Central Bank of India to a well known Bombay film producer was guaranteed by the Punjab government without the requisite sureties, much against the advice of the Law Department and in violation of the relevant rules and regulations. This strange act of patronage has cost the government Rs 13 lakhs, including Rs 3 lakhs by way of interest, following the film luminary's failure to honour his commitment to return the loan.

The Public Accounts Committee has also found that enquiries into 12 embezzlement cases involving lakhs of rupees had not been finalised even after six years. On the contrary, the guilty officials had been given promotions. The present pace of the enquiries, says the Committee, "shows that corrupt officers are having their say". The regular large-scale misappropriation of public funds in the state also becomes evident from the disclosure that 324 cases involving nearly Rs 36 lakhs were pending at the end of March 1971; and the progress since then holds no promise of speedy remedial action.

The Committee on Public Undertakings has found that the Punjab State Tubewells Corporation has drilled 382 tubewells and developed 180 of them since 1970 — an impressive enough performance on paper. But it has since been reported that only three of these wells have been energised, even though the Corporation had supposedly deposited Rs 26 lakhs as security deposit with the State Electricity Board. The disposition of this large sum of money has remained a mystery. And whoever heard of large loans being taken from banks only for the proceeds to be invested in the same banks on the day of borrowing and at a lower rate of interest? The Tubewell Corporation has been guilty of such apparently inexplicable transactions.

No less interesting is the egg scandal associated with the Punjab Poultry Corporation. One of the Corporation's four favoured agents was entrusted with the entire egg sale business in Delhi, even though he had little experience and had not furnished any evidence of his financial soundness. He turned out to be a major defaulter, allegedly misappropriating funds and issuing postdated cheques which were dishonoured. The arrears mounted to Rs 1.21 lakhs, but the Corporation did not pursue the case of cheating registered against the agents. The choice of the next agent proved to be no better. However, through fictitious entries, the major part of the outstanding amount was shown in the official records as "recovered". The report of the enquiry ordered into the affair was not followed up either.

Parmar's Plight

No financial scandals of this magnitude have recently been reported from Himachal Pradesh, but Chief Minister Parmar is in a sorry state politically. After giving him initial support, the Centre seems to have developed a soft corner for the steadfast, 18-strong dissident group. Last November, Parmar

was given permission to drop dissident leader Salig Ram from the state ministry. Parmar had insisted on this in the name of ministerial harmony. But soon afterwards, Indira Gandhi provided unmistakable indications of her disapproval of his move to involve her in the controversy. The first step taken by the Council Parliamentary Board towards the political rehabilitation of Salig Ram was to entrust him with the important task of supervising the Congress election campaign in some parts of UP. Parmar's discomfiture knew no bounds when, on March 13, Salig Ram was accorded an enthusiastic welcome at a largely attended Simla reception organised by the City Congress Committee. It turned out to be a show of strength between the rival factions. Parmar's old rivals, notably former Home Minister Padam Dev, played a leading role at the function. Ministers and other pro-Parmar legislators boycotted the reception.

Confirmation of the impression that Parmar and the official wing of the Himachal Pradesh Congress have fallen from favour in New Delhi also comes through the rejection of the near-unanimous recommendation of the HPCC to re-nominate Satyavati Dang for a Rajya Sabha seat. She has been a staunch supporter of the Chief Minister and has for years been his principal political adviser. Parmar camped in Delhi for nearly a week in a bid to promote her cause. But the Congress High Command has selected Gian Chand Totu, who had been denied the Congress ticket for the Simla seat in the 1972 elections. The dissident Congress MLAs have hailed Totu's nomination. With this second rebuff to the ministerialists within a few weeks, speculation about Parmar's future has been revived. The Central leaders are apparently keeping him on tenter-hooks. The dissidents interpret the developments as clear vindication of their anti-Parmar stand.

Interview with the Dalai Lama

Brahmanand Mishra

THERE has been much speculation during the past few months over the changing attitudes and postures of the Dalai Lama and some of his fellow Tibetan exiles. There are also said to be all kinds of influences — Indian, Chinese, Russian, American, Taiwanese — at work among the Tibetan refugees. During an interview last month at Dharmsala, I asked him about his ideas, plans and hopes.

I first asked him about the much-publicised news story which had appeared in the *Tibetan Review* stating that the Dalai Lama was looking forward to a pilgrimage to Buddhist temples and monasteries in the Soviet autonomous republics bordering China. To this he replied, "Nothing has materialised so far". About suggestions that the Tibetan exiles had decided to lean politically towards the Soviet Union, the Dalai Lama maintained complete silence. However, other Tibetan exile sources tend to confirm that there have been moves towards closer relations with the Soviet Union and Mongolia.

During the course of the interview, the Dalai Lama declared that he was an admirer of Marxist philosophy and that he "firmly believes that there is a common ground between communism and Buddhism. According to the Mahayana school of Buddhism you sacrifice for the benefit of others, for the good of suffering humanity. So is the goal of communism. It aims at, I am told, obtaining for the deprived ones what is due to them".

The Dalai Lama said that he was always trying to tell his "people that there is an urgent need for a suitable and practical change in Tibet. The world is changing fast and every country, big or small, has today become interdependent. Thus it is unwise to think that Tibet will remain stagnant. The old structure cannot remain unchanged and change is bound to come whether one wants it or not. Marxism is one of the most scientific socio-economic systems which promises a suitable new structure so badly needed for the developing world".

But the Dalai Lama added, rather confusingly, that since any social system or structure was meant for the good of the people the way of life of the people must not be disturbed. "Buddhism", he said, "is a way of life for the people of Tibet". He further added, "Buddhism is not meant for society. It is for the individual, for individual good and for the next life. While we try for Nirvana, we must live and exist. And for a just living and existence, communism comes nearest to Buddhism".

In answer to my query that when the Chinese state that they have introduced communist institutions in Tibet and that the Tibetans, along with the people of other nationalities in China, are marching ahead on the path of communism, what prevents him as an admirer of communism from returning to his homeland, the Dalai Lama reacted sharply and firmly stated that the Chinese are not practising communism in Tibet. "What they are doing in Tibet under the cover of communism is not really communism. It is naked colonialism. No doubt they have introduced certain reforms which are good for the people but by and large what they are forcing on the people of Tibet are for the good of the Chinese and not for the good of the Tibetans. With the coming of the Chinese, Tibetans are experiencing new sufferings — mental and physical. They are forced to do hard manual labour with less food. Thousands of Tibetans are dying of starvation. When they fall ill, they are neither attended by the Chinese doctors nor are they allowed to go to the Tibetan doctors. Even Tibetan youth, although communist, cannot close their eyes to these naked facts. If the Chinese today treated Tibetans as their brothers and intended to develop Tibet towards modernisation and socialism, there would be no trouble between us".

"The so-called changes taking place in Tibet which the Chinese shout so much about all over the world are not genuine. Even before the Chinese came to Tibet, there were a good number of Tibetan communists inside and outside Tibet. They participated in the Sino-Japanese War on the side of the Chinese and when the Chinese army marched into Tibet they helped the Chinese authorities enthusiastically. Between 1951 and 1956, when the Chinese were trying to build up their position in Tibet, these Tibetan communists were genuinely helping them, hoping that when the communist revolution triumphed, there would be an end to human exploitation and Tibet, too, would become a modern socialist country. But it was not before long that they were all disillusioned. While their Chinese masters loudly talked about the need for socialist revolution in Tibet, through their actions they opposed every serious efforts to modernise Tibet. When these Tibetan communists wanted to raise this issue at party meetings, they were dismissed *en masse* and one by one all of them disappeared". The Dalai Lama stated that there were thousands of young Tibetans who had had their indoctrination in Communist China, but who after seeing what was being practised in Tibet under the cover of communism, had turned anti-Chinese and a good number of them had recently joined the rank and file of the freedom fighters. "So we are not against communism. The struggle is really against Chinese domination and it will continue till the good day comes and every Chinese soldier leaves Tibet for good", the Dalai Lama declared.

The Dalai Lama was sure that sooner or later the Tibetan people would regain their independence and play their allotted role for the good of humanity. He felt that the freedom movement within Tibet was becoming more mature with the increasing sufferings of the people in his country and that the ultimate strength of the struggle lay with the people of Tibet. "I have repeatedly told my people that independence would not be given to us either by India or by the USA as an act of mercy. It has to be achieved by the Tibetans themselves through long sacrifices and determination".

The Dalai Lama also displayed great faith in the people of India. He thought that though the Government of India, constrained as it was, could not do very much for the Tibetan cause, "there exist between the people of India and the people of Tibet cultural and religious relations with a common heritage. This unique relationship has something to do with the mind and it is much more durable than other relations such as merely economic or political. We feel that India is the land of *Guru* and all of us have a great regard and respect for this land and for the people who inhabit this land ... And the day the Tibetan cause is taken up by the people of India, it will be difficult for any power, let alone China, to keep the Tibetans under its occupation".

When asked to comment on recent news reports that his departure from Lhasa in 1959 was engineered by the CIA, the Tibetan leader looked agitated and burst out, "It is all baseless. The accusation has no truth. My flight was because of circumstances developing in Lhasa and because of Chinese atrocities on my people. I realised that if I remained there, nothing could be done for Tibet and Tibetans. So I left for south Tibet and from there contacted the Chinese. There was still some hope that the Chinese would see reason and respect the assurances given to the Tibetan people. But the way Chinese soldiers were let loose upon peace-loving Tibetans, left me no alternative but to cross over to India, which every Tibetan considers his second home. The Dalai Lama stated that it was also completely wrong to think that American agents provided air cover inside Tibet for fleeing Tibetans, or parachuted supplies, maps and money. When asked what could be behind such false propaganda, the Dalai Lama said that "it is difficult to say, but the Chinese may have a hand in it, because every day the position of the Chinese leadership is becoming more uncomfortable in Tibet".

He, however, concluded by paying a tribute to Mao Tse-tung for leading China from being a tattered country to becoming a really powerful nation in the world. "But everything is not good in China today. It is questionable if the Chinese people are really happy under the present system".

MADHYA PRADESH

Reprieve for the Chief Minister?

THE Congress high command seems to have at last decided to grant a reprieve to the Madhya Pradesh Chief Minister, P C Sethi. It has let it be known that it does not propose to effect any 'immediate' change in the state leadership. The two main dissident groups, led by D P Mishra and S C Shukla, have been asked to extend their support to Sethi. How far they will comply with this request — the Centre is no more in a position to dictate terms in MP — is yet to be seen. At the same time, Sethi has been advised to be more accommodating and responsive to his colleagues and the members of the party.

A change of Chief Minister in the state had looked imminent at one point. In fact, Sethi's main rival in state politics and ex-Chief Minister, S C Shukla, had been summoned home from abroad and the stage was all set for a change of leadership. Sethi, it appeared, would be given a seat in the Rajya Sabha and probably a portfolio at the Centre. Sethi himself wanted to quit and return to Delhi, from where he was imported in 1972 to quell the dog-fight in the MP Congress — a task to which he has proved unequal. The Centre too would have been happy to see Sethi quit. Under his Chief Ministership corruption has mounted and administration has become chaotic. Much of the time, he has been running the government by trunk telephone from Delhi, where he has an official residence.

What has, however, made the Congress High Command decide against a change of leadership is the absence of a clear alternative to Sethi. Shukla would not be acceptable to Mishra and *vice versa*. The High Command's verdict came in the wake of mounting tension between the anti- and pro-Sethi groups. One person had been killed at a food and anti-price rise rally organised by the Youth Congress sometime back and many important Congress leaders had been held at several places for leading food demonstrations. The Congress dissidents called a 'secret' meeting and demanded summoning of a Congress Legislature Party meeting to "consider the food crisis and the deteriorating law and order situation". On his part, Sethi had threatened a cabinet reshuffle to weed out "disgruntled elements".

Patch-Up

The High Command had got worried over this mounting tension on the eve of the budget session of the assembly and had arranged a meeting of the Chief Minister with his detractors in Delhi. At the meeting Sethi had discussions with S C Shukla and a compromise formula was evolved. On his return from Delhi, Sethi denied any plan to reshuffle the cabinet and appealed for unity among Congressmen against the Opposition. Though he rejected the demand for a special Legislature Party meeting to discuss the food situation, he offered to hold talks with party legislators who seemed to have reservations about him. In another gesture of goodwill the Chief Minister declared that the dissident leader, M K Manav, who had earlier been suspended from the party, had been invited to attend the CLP meeting scheduled to be held on the eve of the budget session. Manav had been suspended from the party on a charge of issuing statements demanding the resignation of the Chief Minister after the police firing in Bhopal on August 17, 1973. A signature campaign had been launched demanding the withdrawal of the suspension order and 117 out of 228 Congress MLAs had submitted a memorandum to the Prime Minister and the

Congress president.

Regionalism is the hallmark of politics in MP just as casteism is the distinguishing characteristic of Bihar politics. There are four regions in this state. The biggest of them is Mahakaushal with 146 MLAs, followed by Madhya Bharat (97), Vindhya Pradesh (40) and Bhopal (11). After the death of Ravishankar Shukla, known as the strongman of MP politics, Kailashnath Katju was brought from Delhi to rule the state. But his rival in state politics, Bhagwantrao Mandloi, ousted him and put an end to his political career by engineering his defeat in elections. Mandloi himself became a victim of the Kamaraj plan which brought D P Mishra to power. After a brief spell of rule by a united front ministry, the Congress returned to power, but Mishra could not resume the Chief Ministership as in the meanwhile he had been debarred from fighting elections by the courts for having committed certain poll irregularities. The new Chief Minister, S C Shukla, son of Ravishankar Shukla, was never left in peace by Mishra's supporters. The High Command then sought to impose unity from above and moved P C Sethi from the Centre to the state.

No report on the political situation in MP can be complete without mention of the role of the all-powerful Governor, S N Singh. Though earlier he had gone out of his way to protect Sethi from the dissidents' onslaught, recently he openly attacked the Chief Minister. He is reported to have said, "Sethi does not stay at Bhopal. I am myself a dissident on this point. But I can only make suggestions. How can I force a horse to drink water? He promises and then runs away." In this context, significance is attached to Singh's recent visit to Delhi for talks with the Prime Minister.

Election Victories

The Congress performance in the recent four by-elections in the state has more than made up for the serious setback it had suffered in Mhow in December last. The Jan Sangh had wrested the Mhow Assembly seat from the Congress, which had held it ever since the first general election. The by-election had been necessitated by Chief Minister P C Sethi — who had been elected from another constituency as well in the 1972 elections — vacating the seat on the calculation that the Congress would have a walk-over in this traditional stronghold.

The Mhow debacle came as a blow to the ruling faction of the state Congress, particularly the Chief Minister, who had staked his political prestige in Mhow by giving the party ticket to a candidate of his own choice against the wishes of the dissident groups in the party. The Chief Minister and his supporters attributed the Congress defeat to "large-scale sabotage from within the party". (Three senior Congress leaders of the area had earlier been expelled from the party for six years on charges of trying to sabotage the election of the party nominee.) On the other hand, the dissidents maintained that the Congress candidate was the "single biggest factor" responsible for the elimination of the party from one of its strongholds.

Whether or not the dissidents were behind the Mhow defeat — there were in fact other factors as well —, it impressed on Sethi the need to mend his fences with them. In the choice of candidates for the recent by-elections in the Chattisgarh region, the stronghold of Shuklas, he therefore yielded to them. In the event, the Congress has won three of the four by-elections. Even the one seat, Jarhagaon, which it lost is a traditional opposition stronghold.

But how were the Congress victories achieved? Take the case of Konta, which the Congres wrested from the Jan Sangh by a margin of over 6,000 votes. Konta is considered a Jan Sangh stronghold, but the party lost more than 50 per cent of the votes it had received in the last election. However, both the Congress and the Jan Sangh candidates had one thing in common: they could barely sign their names. Konta is located in the heartland of the country's biggest tribal belt on the Bastar-Andhra border. The electorate, mostly Marias and Murias, are semi-naked, wretchedly poor and completely illiterate and superstitious. In some booths it was found that the voters had *en masse* put the stamp on the tables on which the ballot boxes were kept instead of on the ballot papers. A 'thekedar' holding a licence for some 50 *mahua bhattis* was actively campaigning for the Congress; he is alleged to have supplied free liquor on the eve of the election to the all-powerful mukhias of most of the adivasi villages. The Chief Minister also managed to persuade Vedwati, widow of Pravir Chander Bhanjdeo, to leave Bastar, presumably with the assurance that the government would help her to sort out her property disputes. Similarly, Baba Biharidass, who has been masquerading as the reincarnation of the late Bhanjdeo, was not allowed to enter Konta. The Congress victory in Lakhanpur is likewise attributed largely to the support of the former ruling Singhdeo family of Surguja. The Congress had to get its candidate endorsed by the family.

The use of the administrative machinery by the ruling party was most in evidence in the prestigious Jangir Lok Sabha constituency. The significant point about the use of government machinery on behalf of the Congress was the cynicism with which this was done by the Congress and the sense of resignation with which it was tolerated by the Opposition parties. The Chief Minister and his colleagues openly used the MP government's dakota and helicopter. The Jan Sangh, which had created a hue and cry over this issue during the Mhow election, did not protest this time saying that it did not want to waste its breath.

When the Congress victory in one of the constituencies became known, a senior government official is reported to have exclaimed that his 'responsibility was over!

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Rule by Torture

A G Noorani

Amnesty International Report on Torture; Duckworth, London, in association with Amnesty International Publications; £ 1.50 paperback, £ 3.95 hardcover.

"CAN a great nation, liberal by tradition, allow its institutions, its army, and its system of justice to degenerate over the span of a few years as a result of the use of torture, and, by its concealment and deception of such a vital issue, call the whole Western concept of human dignity and the rights of the individual into question?" Pierre Vidal-Naquet asked in his famous book, a Penguin special, entitled "Torture: Cancer of Democracy", published in 1963. It was a hair-raisingly detailed case study, backed by authoritative material, of the methods of torture employed by France in Algeria from 1954 to 1962. No less revolting was the conspiracy of silence on the subject among the French elite.

To its great credit, Amnesty International has long concerned itself with the problem with the thoroughness and impartiality for which it is so highly respected. As well as publishing detailed studies of trial procedures for political prisoners in Iran, reports on the persecution of intellectuals in Czechoslovakia, especially after the Russian invasion in 1968, and, of course, in Russia itself, it approved the publication by its Dutch section of a report entitled "Indonesia Special" on the plight of the more than 55,000 untried political prisoners in Indonesia and of their children, wives, and families.

Last December it held at Paris an International Conference for the Abolition of Torture. The Conference split up into four Commissions, one of which, on the legal aspect, was headed by Peter Archer head of Amnesty's British Section. He was appointed Attorney General in the Labour Government after the general election in February.

The Report on Torture was compiled in connection with AI's Campaign for the Abolition of Torture and as source material for the Paris Conference. It begins with harrowing first-hand accounts of their ordeal by two women and one man who were torture victims; Ayse Semra Exer of Turkey, Maria Dina Roggerone de Greco of Uruguay and Vladimir Gershuni of the Soviet Union.

It goes on to examine historical aspects of torture, the arguments for and against its official use, problems of legal definition, medical and psychological aspects, and the need for legal and other remedies. The lack of adequate legal remedies is underscored by three cases studies: the Middle East, Greece and Northern Ireland.

In a world survey of torture, the report examines allegations made against a further 64 countries and territories, plus countries such as China where corroboration is difficult to obtain.

The result is a disturbing catalogue of dehumanising torture practices which include beatings, sexual assault, suffocation, submersion, injections, deprivation of sleep and forced standing in fixed positions for long periods, incarceration of sane people in mental asylums, sensory deprivation and modern audio-visual disorientation and terror techniques.

The Report is a masterly document. The culprits in Western Europe are Belgium, Portugal and its colonies, Spain and Turkey. In Eastern Europe the list comprises Albania, Hungary, Poland, Czechoslovakia, the German Democratic Republic, Rumania, to a certain extent, and the Soviet Union.

Torture in India

The Section on Asia covers India, Pakistan, Sri Lanka, the Philippines, Vietnam, Indonesia and Korea. Of India the Report says: "The Naxalites' selective assassinations of landlords, policemen and other 'agents of the state machinery', which began in the West Bengal countryside in 1967 and shifted to Calcutta in 1970, were met by an increasingly rigorous police programme of counter-insurgency. Thousands of suspected Naxalites were rounded up, and many of them have been held without trial ever since. They are detained under several preventive detention laws, of which the most widely used (the 1971 Maintenance of Internal Security Act) was declared unconstitutional by the Indian Supreme Court in April 1973. On May 15, 1973 *Le Monde* reported that a recent convention of socialist parties in New Delhi underlined in documents presented there 'the bad treatment inflicted on revolutionaries when they are arrested — tortures, burnings with cigarettes — or during their detention — absence of medical treatment, beatings, etc. Several dozen prisoners — and in winter 1972 the head of the Naxalites, Charu Mazumdar — have died during their incarceration or in the course of 'struggles' inside the prisons . . .

"The pattern that emerges is that although incidents of police and prison warden brutality continue to occur, the worst period was in 1970-71, when the threat from the Naxalites was judged to be greatest. While police brutality seems to have stemmed from a desire to extract information about Naxalism, beatings and other abuses of prisoners inside the prisons themselves may have reflected the grossly overcrowded and inadequate conditions of the big Calcutta detention centres such as Alipore and the Presidency Jail.

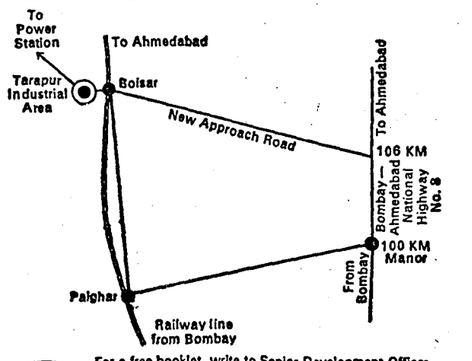
"Amnesty International has also received allegations of torture and ill-treatment of civilian detainees from two other parts of India, Nagaland in the far north-east and Kashmir in the north-west.

"Since an armed insurrection against Indian rule began in Nagaland in 1956, the area has been marked by bitter fighting, and more recently by sporadic acts of terrorism. (The secession of Bangladesh in 1971 was a major blow to the Naga rebels.) While it was still operative in 1970 the self-styled Federal Government of Nagaland, established by Naga dissidents in opposition to the government in New Delhi, alleged on at least three separate occasions that the Indian Army had perpetrated numerous 'atrocious deeds' against Naga citizens. These included rapings, beatings and other tortures of men and women suspected of helping the rebels. In the predominantly Moslem State of Kashmir, where the Plebiscite Front has persistently campaigned for self-determination, supporters of the Front have often been held under preventive detention legislation and subjected to various forms of oppression, though the situation has improved since 1972. In May 1972, a former prisoner of conscience was interviewed; he had been detained in 1966, apparently because of his leading role in the Plebiscite Front. The man alleged that he had been subject to prolonged torture during interrogation; in particular, he said he had been forcibly kept awake for fifteen days and nights, as a result



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of which his eyesight has been permanently impaired."

A passage regarding Pakistan bears quotation. "On 18th July 1972, *The Times* of London reported that the government had confirmed in the National Assembly that instruments of 'torture' were being purchased by the Pakistan Military Attache in the United States. The Minister of Labour said that his government was not the author of the deal, responsibility for which lay with the former regime of Yahya Khan. He added that the Bhutto government learned of the affair only through a press report from Washington and immediately sent out orders to stop it. The 'instruments' were said to include equipment for brainwashing, lie detection and torture of detainees. According to another press report, the Minister disclaimed responsibility, while simultaneously maintaining that 'everyone used these gadgets'. In June 1973, it was reported from Karachi that electric shock machinery existed inside the prisons and had been seen by detainees, but that there was no evidence of its use."

The Report concludes after making a global survey of the prevalence of the vice: "In the first place sophisticated methods of torture are being introduced in many countries. Interrogation techniques are being constantly refined. But torture is not being used for the extraction of information alone. It is also used for the control of political dissent. Often, the two main impulses are combined in one appalling practice. There also exists evidence that the practice of torture is becoming internationalised. Experts and their training, as well as torture equipment, are provided by one government for use in another state. Internally, responsibility for the use of torture is being broadened, involving other authorities than the police or security police."

It adds that "The responsibility for torture is, however, no longer confined to governments. Allegations of ill-treatment and brutality, amounting to torture, have been made against several opposition movements which use the violence and, from time to time, hold prisoners or hostages. Though this is a comparatively recent development, it is a serious one. There is no redress of any kind for the victim. It contributes to the escalation of violence. In such confrontation between the forces of the government and the forces of the opposition, the individual remains totally unprotected. Torture can occur in any society. Certain indications have emerged from this study as to the situations where torture is likely to occur. For instance, it is misleading to suggest that poverty causes and wealth prevents torture. Torture exists in situations of sharp conflict. The legal situation — the observance or the disregard of the due process of law — appears to be more directly relevant. Special powers acts; martial law; state of seige, or of exception: wherever the rule of law has been suspended, torture finds it easy to move in. When the citizen has a free access to *habeas corpus*, to legal aid, to a free press, he is better protected. It is not impossible for the state to torture him: but it is much more difficult."

The maintenance of a free press and an independent judiciary are indispensable for the preservation of individual liberty. For all their limitations, they serve to expose the vice and publicity is what the persecutor dreads worst.

A telling passage in the Report, the like of which abound in the document, reads: "The confrontation between the individual and the limitless power of the state, between the torturer and his victim, takes place in the darkest recess of political power."

The Report throws a flood of light on those dark recesses and is a splendid contribution towards awakening public awareness of the prevalence of the cancer of democracy.

SPECIAL ARTICLES

Raw Jute Marketing: Problems and Solutions

N K Muralidhara Rao

P Ramaswamy

The marketing of raw jute has for long suffered from several inadequacies. A number of Commissions and Committees have examined jute marketing problems and suggested remedial measures. Sporadic attempts have also been made to tone up the marketing arrangements. It is, however, increasingly becoming clear that all have only touched the fringe of the problem.

Marketing of raw jute continues to suffer from various handicaps. Domestic supplies continue to fluctuate from year to year, jute growers do not feel secure about getting a remunerative return for their investment and the marketing system is beset with several imperfections.

An attempt is made in this article to briefly review the present arrangements for marketing of jute and to suggest measures for improving them.

THE marketing problems relating to raw jute can be better appreciated by taking a close look at the special features of production relating to this commercial crop. Unlike other commercial crops, the cultivation of which extends to several states, jute production is mainly confined to the states of West Bengal, Assam, Bihar and Orissa. West Bengal, which is the most important producing state, accounts for about 55 per cent of the total production of raw jute. Assam, with about 20 per cent of the total, is the second important producing state. Bihar follows with about 12 per cent of the production. Orissa accounts for another 7 per cent of the production. Thus, these states among themselves contribute as much as 96 per cent of the total production of raw jute in the country.

The movement of produce from the village is completed within a relatively short period. In West Bengal, more than half of the production is disposed of during the three-month period from October to December. The bulk of

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Besides the philosophy, the *secret lies in its professional* management. Maximum *decentralisation* and delegation of authority and responsibility, has built an outstanding team of managers and workers, with a completely autonomous decision making process in each of its segments.

ASSISTING AUXILIARY AND ANCILLARY INDUSTRIES:

Century Rayon believes in supporting a number of small entrepreneurs. Rightly so. And it has become a benign big brother to a number of auxiliary and ancillary industries. It is helping them in three *segments, viz. a)* the small scale suppliers; b) the small processors who use Century's bye-products and waste, products; c) a large nation-wide community of small weavers dependent on Century's supply of yarn. Century Rayon is helping them in three ways—
a) by providing finance;
b) by giving technical assistance; c) by helping them in marketing.

THE NATIONAL EXCHEQUER:

How much do you think Century Rayon is paying by way of taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the *income tax paid* by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

EXPORTS:

Why is it that the Century Rayon Tyrecord is equal to the world's best?
The testimony is constantly rising exports to sophisticated international markets.
The total foreign exchange *earning including* Rayon Fabrics & Chemicals so far exceeds Rs. 5 crores.

EMPLOYEE WELFARE:



Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society. They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. Its medical care is unique, with a full fledged 50 bed hospital, and free medicine.



Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest *temples in a sublime* atmosphere-all these *amenities* constantly growing in size and quality.



Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have *been winning many* a laurel on the playgrounds.

CREATING EMPLOYMENT:

In today's context, Century Rayon's *contribution is* significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:

What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest *rapport with them across* the table, without external intervention.

COMMUNITY SERVICE.



In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other *relief measures.*

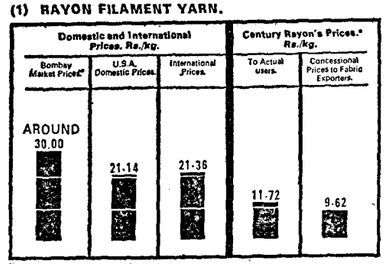
RESEARCH AND DEVELOPMENT.



Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved *rayon tyre cord.*

HOLDING THE PRICE-LINE AND ENSURING FAIR DISTRIBUTION.

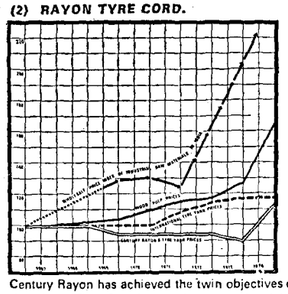
(1) RAYON FILAMENT YARN.



*Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users at the low price of Rs. 11.72 per kg. and an additional 20% directly to exporters of Rayon Fabrics, at a substantially low price of Rs. 9.62 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.





CENTURY RAYON

Industry House, 159, Churchgate Reclamation, Bombay 400 020.



CENTURY CHEMICALS

CONCEPT-CR-1503R

TABLE 1 : AREA AND PRODUCTION OF JUTE AND SEASONAL AVERAGE PRICE (ASSAM BOTTOM QUALITY) AT CALCUTTA

(Area in lakh hectares; production in lakh bales; price in Rs per quintal)

Year	Area	Production	Seasonal Average Price
1	2	3	4
1951-52	7.90	47.15	131.24
1952-53	9.30	53.16	64.58
1953-54	6.84	37.71	70.65
1954-55	6.80	38.60	79.56
1955-56	9.35	53.94	73.04
1956-57	10.69	58.05	80.16
1957-58	10.15	53.27	72.55
1958-59	11.00	69.11	59.99
1959-60	9.75	56.86	81.47
1960-61	9.03	52.63	135.20
1961-62	13.42	82.36	89.78
1962-63	12.42	71.85	77.13
1963-64	12.70	79.76	80.58
1964-65	12.13	76.62	104.94
1965-66	10.96	57.56	146.74
1966-67	11.19	65.79	145.11
1967-68	12.01	75.92	112.67
1968-69	8.07	38.37	183.36
1969-70	10.07	67.50	142.26
1970-71	10.80	61.93	153.34
1971-72	11.14	68.38	147.47

Source : Jute Corporation of India.

the crop has to depend on rainfall; for instance, in West Bengal, only 5.3 per cent of the total jute area is under irrigation. Most of the jute growers, having only a small quantity to market, prefer to dispose of the produce either in the village itself or in the nearby *hat*. Availability of credit to the jute growers is inadequate which also has had its impact on the method of marketing.

FLUCTUATIONS IN RAW JUTE SUPPLY

The serious repercussions of instability in raw jute production have been recognised and several measures have been and are being taken with a view to increasing the production. Even so, instability in production of raw jute continues to be a major problem.

There was a phenomenal increase in jute production in the immediate post-partition years as a result of the grow more jute campaign launched by the government. From a mere 1.7 million bales in 1947-48, production increased to 5.3 million bales in 1952-53. This tempo of growth could not be sustained during the subsequent years. What is more relevant, the increase in production was not found to be steady. There was a record production of 8.2 million bales in 1961-62 but there was also a very low production of 3.8 million bales in 1968-69. The fluctuations in production of raw jute are a result both of changes in the area sown under jute from year to year and of seasonal conditions. Raw jute prices appear to have a profound influence on the jute grower in the allocation of his total crop area for jute cultivation during the succeeding season. The relationship between area under jute in a particular year and the prices received by the jute growers in the previous season may be seen in Table 1 which indicates the area, production and seasonal average prices of raw jute during the years 1951-52 to 1971-72.

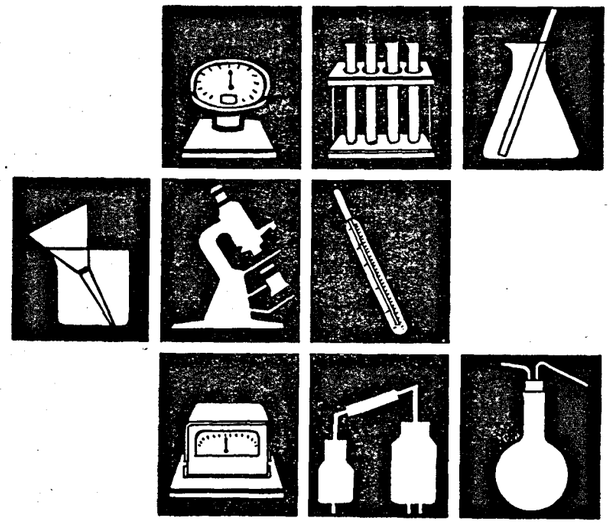
The amplitude of the year-to-year fluctuations in the area under and production of raw jute in the country may be seen from Table 2. A direct repercussion of the unstable production has been the intra-seasonal fluctuations in raw jute prices. Unless a certain amount of stability in prices is ensured, jute growers will find it increasingly difficult to allocate land to jute in preference to another crop like paddy where they are reasonably assured of remunerative market prices. For the industry too, production planning and export commitments become a problem when the domestic prices are subject to changes of this magnitude.

Against the back-drop of several production programmes for jute, a comparison of all-India growth rates of agricultural production during the period 1960-61 to 1971-72 indicates a disturbing trend as regards jute. During this period, the compound rate of growth per annum was 2.34 per cent for all crops. For foodgrains as a group, the growth rate was 2.64 per cent and for non-foodgrains 1.77 per cent. A special significance of these growth rates is that, relatively speaking, the increase in production is more due to improved yields rather than to expansion in area. Compared to food crops, commercial crops show a lower rate of growth of 1.77 per cent. The performance of both cotton and jute has been very disappointing, more so in the case of jute which shows a negative growth rate of 0.64 per cent. This is the combined result of fall in the acreage sown under the crop as well as due to failure to increase the productivity to any appreciable extent.

The Fifth Plan envisages a production target of 8 million bales comprising 6.7 million bales of jute and 1.3 million bales of mesta. The production programmes to be implemented in the years to come should aim not only to raise the level of production but also to minimise the fluctuations in the size of the crop in relation to demand. The Government of India has already initiated a number of programmes for increasing the productivity of jute. The Intensive Jute Districts Programme is the latest to be taken up in this connection. The Agricultural Prices Commission in its Report on Price Policy for Jute for 1973-74 season has stated, "The approach to jute development, at any rate in the operational context, does not appear to be sufficiently integrated." For example, under the Intensive Jute/Mesta Districts Programme for 1972-73, the coverage of area under different yield-increasing programmes has been very dissimilar. As pointed out by the Prices Commission, the need is for a package approach to increasing yield and not individual and uneo-ordinated measures.

A remunerative support price for raw jute will act as a powerful instrument in imparting a certain amount of stability to jute production. With a view to introducing stability in jute prices, the Government of India fixed operational minimum prices for raw jute beginning with the 1961-62 season. A minimum price of Rs 80.38 per quintal for delivery at Calcutta was fixed for Assam Bottom quality. In order to give effect to this policy of ensuring a minimum price to growers, the Jute (Licensing and Control) Order, 1961, was promulgated under the Essential Commodities Act. The operational minimum price from 1961-62 to 1965-66 remained at Rs 80.38 per quintal (Assam Bottom, Calcutta delivery). The operational minimum price (support price) was increased in 1966-67 to Rs 93.77 per quintal on the recommendations of the Agricultural Prices Commission. The support price

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TABLE 2: FLUCTUATION OF AREA UNDER AND PRODUCTION OF JUTE, 1951-52 TO 1971-72

Year 1	Area (Percentage deviation from previous year) 2	Production (Percentage deviation from previous year) 3
1952-53	(+) 17.72	(+) 12.75
1953-54	(—) 26.45	(—) 29.06
1954-55	(—) 0.58	(+) 2.36
1955-56	(+) 37.50	(+) 39.74
1956-57	(+) 14.33	(+) 7.62
1957-58	(—) 5.05	(—) 8.23
1958-59	(+) 8.37	(+) 29.74
1959-60	(—) 11.36	(—) 17.73
1960-61	(—) 7.38	(—) 7.44
1961-62	(+) 48.62	(+) 56.49
1962-63	(—) 7.45	(—) 12.76
1963-64	(+) 2.25	(+) 11.01
1964-65	(—) 4.49	(—) 3.94
1965-66	(—) 9.65	(—) 24.88
1966-67	(+) 2.10	(+) 14.30
1967-68	(+) 7.33	(+) 15.40
1968-69	(—) 32.81	(—) 49.46
1969-70	(+) 24.78	(+) 75.92
1970-71	(+) 7.25	(—) 8.25
1971-72	(+) 3.15	(+) 10.41

was increased again in 1967-68 to Rs 107.17 per quintal and was maintained at that level till 1970-71. In 1971-72, it was further raised to Rs 113.87 and again to Rs 115.00 per quintal in 1972-73. Initially, the operational minimum prices were announced only for Calcutta but subsequently the government started working out and announcing such support prices for upcountry markets also. In order to ensure a reasonable minimum price for the growers in the distant regions and thus sustain their interest in jute growing, the government in 1970-71 introduced a modification in the minimum support price to the effect that the difference between the Calcutta support price and the upcountry support price should not exceed Rs 17.42 per quintal which was reduced to Rs 15 per quintal in 1972-73. From 1972-73 onwards, the minimum prices have assumed a statutory basis. For the current 1973-74 season, the support price for Assam Bottom has been increased by Rs 10 per quintal. The price differential between Calcutta and other upcountry markets has been further reduced to Rs 12 per quintal with a view to protecting the interests of jute growers in markets away from Calcutta.

Notwithstanding the increase in the minimum support price for raw jute during the last three seasons, jute growers continued to feel that the support prices are still at an unrealistic level. The growers feel that the support price for the fibre does not adequately cover the cost of production. Recently, there was a convention of jute growers at Chandannagar in West Bengal which demanded the appointment of a Special Commission to examine the problems of jute growers and re-fix jute prices. A price of Rs 157.60 per quintal has been demanded by the convention. It has been pointed out that relatively, it is becoming increasingly profitable to cultivate paddy rather than jute. A price ratio of 3 : 1 between jute and paddy has also been claimed. The question of relationship of prices of jute and paddy has been gone into time and again in the past. The Bengal Land Revenue (Floud) Commission, 1940 considered 3 : 1 as a fair parity between jute and paddy prices. On the other hand, the Jute Inquiry (Sen) Committee, 1957, put it at 2.7 : 1. Subsequently, a ratio of 2.5 : 1 has been mentioned in several other official documents. The Agricultural Prices Commission in its report for 1968-69 season had pointed out that if the minimum price of raw jute and the minimum price of paddy are considered, a whole series of price ratios ranging from 0.99:1 to 3.10:1 would emerge. Currently, it has been claimed that the cost of farming a bigha (1/3 of an acre) of jute and the high-yielding variety of paddy is Rs 251 and Rs 152, respectively. A bigha yields about 8 maunds of jute with a market value of Rs 400 at the current price paid at the primary market in south Bengal. A similar plot of the high-yielding variety of rice produces 15 maunds of paddy which fetches Rs 675 or even more. Fariahs are prepared to pay at the farmers' door-step as much as Rs 50 for a maund of paddy this year. The situation is said to be more unfavourable for jute farming in north Bengal. The primary markets in those areas being far away from the consuming points, jute sells at less than Rs 40 per maund but the paddy price is as high as in south Bengal. It is claimed that this may result in a switch-over from jute to paddy area and that this trend will be more pronounced in north than in south Bengal.

Table 3 indicates the average wholesale price for jute and rice during the five-year period 1968-69 to 1972-73 in some important jute growing states. It may be noticed that the profitability of jute growing in relation to paddy had gradually dwindled right upto 1971-72 and the trend appears to have been reversed only in 1972-73.

To bring about stability in production of raw jute, the jute grower has to be assured of a remunerative return on his investment. In view of the feeling among the jute growers that it is relatively more profitable to cultivate an alternative crop like paddy, there is urgent need to carry out a detailed and systematic study of cost of production of jute and of competing crops like paddy so that the support price for raw jute could be fixed at a realistic level.

Bringing in more jute area under irrigation will also considerably help in avoiding production uncertainties. For example, in West Bengal alone if 1.5 lakh hectares more of jute area could be brought under irrigation, it will be able to yield 15 lakhs bales. In the six jute growing districts of Murshidabad, Nadia, 24 Parganas, Hooghly, Burdwan and West Dinajpur, the total irrigated crop area works out to 6.38 lakh hectares, including 3.94 lakh hectares presently available and 2.44 lakh hectares expected to be available under proposed new irrigation projects. At present, in these six districts jute is already cultivated as an irrigated crop over an area of about 23,000 hectares. There is a possibility of bringing 30,000 hectares under irrigated jute in new areas with the new irrigation proposed to be made available in the state. There is also a possibility of supplying irrigation to 76,000 hectares of existing jute area (26,000 hectares from the existing irrigation projects and 50,000 hectares from new projects). This means that by the end of the Fifth Plan it will be possible to have a total of 1.5 lakh hectares under irrigated jute in these six districts in West Bengal. This is a programme which offers great potentialities and requires to be pursued vigorously.

DEVELOPMENT OF JUTE MARKETS

In the movement of raw jute from the cultivator to the consumer, three distinct stages can be discerned. In the first stage, the raw jute moves from the villages to primary assembling markets or *hats*. These primary markets or *hats* constitute the first important link in the long channel of marketing of raw jute. About 60 per cent of the marketable surplus is disposed of by growers at their very doors. Only about 30 per cent is taken by them to the primary markets for sale. The second stage relates to the movement of raw jute from the villages or *hats* to the secondary markets which are also usually the baling centres. Only about 10 per cent of the jute arriving in these secondary markets is brought di-

TABLE 3 : RELATIONSHIP BETWEEN MARKET PRICES OF JUTE AND RICE

State	Year	Average Wholesale Prices (Rs per quintal) Jute	Rice	Jute / Rice × 100
1	2	3	4	5
Assam	1968-69	182.19	123.67	147.32
	1969-70	109.85	106.33	103.31
	1970-71	126.34	116.67	108.29
	1971-72	98.68	106.67	92.51
	1972-73	140.03	121.67	115.09
Bihar	1968-69	175.94	101.25	173.77
	1969-70	105.04	113.84	92.27
	1970-71	114.66	116.00	98.84
	1971-72	93.77	112.92	83.04
	1972-73	134.58	140.67	95.67
Orissa	1968-69	192.01	99.25	193.46
	1969-70	120.56	95.29	126.52
	1970-71	129.27	97.38	132.75
	1971-72	117.00	110.25	106.12
	1972-73	160.67	114.19	140.70
West Bengal	1968-69	177.71	126.63	140.34
	1969-70	107.17	125.51	85.39
	1970-71	121.01	146.77	82.45
	1971-72	98.24	148.84	66.00
	1972-73	146.57	154.79	94.69
Average	1968-69	181.96	112.70	161.46
	1969-70	110.65	110.24	100.37
	1970-71	122.82	119.20	103.04
	1971-72	101.92	119.67	85.17
	1972-73	145.46	132.93	109.43

Source : Agricultural Prices Commission.

rectly by growers. The movement from the up-country baling centres to the jute mills in Calcutta and other places and to the loose jute markets and pucca baling centres in Calcutta constitutes the third stage. Thus, the primary assembling markets or *hats* and the secondary markets have a very vital role to play in the marketing of raw jute.

There are 194 assembling markets for jute in the different jute growing states. Out of these, only 69 have been brought under regulation so far. The position in each state is as shown in Table 4. In Bihar and Orissa most of the jute markets have already been brought under regulation. So also in Uttar Pradesh and Andhra Pradesh. In West Bengal, 69 markets which include 10 jute markets have been brought under regulation under the old Act. Presently, market regulation is being extended to additional markets under the new Act. In Assam legislation for market regulation is yet to be passed. It is expected that enactment for the purpose will be completed soon. In Tripura, market regulation is yet to be extended to a number of jute markets.

Regulated markets for jute can help not only the jute growers but also the purchasing agencies significantly by making available services and facilities for sorting, grading, storage and processing. But these facilities are lacking at present in most of the existing jute markets. The establishment and development of a chain of assembling points as near the growing area as possible could bring immense benefit to the marketing of raw jute. The emphasis should be not on the development of a few large sized markets away from the points of production but on the development of smaller assembling centres which could become sub-market yards of the main secondary market. These marketing centres could provide processing and short-term transit-storage facilities which could be of great help to the public sector agency in effecting its purchase operations. The total number of feeder markets catering to the 194 secondary markets is estimated at around 400. If efficient raw jute marketing is to be ensured, a programme for the development of the 194 secondary jute markets and the 400 feeder markets requires to be launched on a priority basis. The development of the required facilities and services is roughly estimated to cost Rs 10 lakhs for each secondary market and Rs 3 lakhs for a feeder market. On this basis, an investment of an order of Rs 31.4 crores will be required if this programme is to be put through. Once the market committees are established, it should be possible for these committees to avail of institutional credit supplemented by government assistance. In developing these markets, a co-ordinated programme involving the Jute Corporation of India and the state governments should be worked out so that the Jute Corporation of India can avail of the facilities made available in these markets.

PROCESSING, STORAGE AND TRANSPORT

An examination of the baling facilities available at present in the assembling markets for jute indicates that, by and large, in terms of the total baling capacity the markets do not suffer from any inadequacy. During a season the baling units operate for a minimum period of 4-6 months. The average capacity of a baling unit per day is about 100 bales. The total number of baling presses for jute is estimated at around 1,400 with a capacity of 1.3 lakh bales a day. Therefore, the conversion of raw jute into kucha bales does not seem to be a problem.

The baling facilities are now owned by jute balers who operate in the secondary markets either on their own account or as agents for the jute mills. Therefore, when a public sector agency like the Jute Corporation of India undertakes purchase operations it has to depend on the balers for converting raw jute into kucha bales. Therefore, while there does not appear to be any shortage of kucha baling capacity in the assembling markets, it would be advantageous for the regulated market committees and the co-operatives to gradually expand the jute baling capacities with them as a measure of assistance to the public sector purchasing programme. This will be particularly important in the interior areas where processing facilities may not exist at present.

Unlike other agricultural commodities where the movement from the farm to the consuming centres is multi-directional, in the case of jute almost the entire production moves in one direction only, i e, towards Calcutta where most of the jute mills are located. Further, the movement takes place within a relatively short period after the harvest. From the secondary market jute is despatched to the terminal destination mostly by railways (80 per cent) and to a lesser extent by road (20 per cent). Road transport is primarily confined to areas within reach of Calcutta. It is also resorted to when movement by rail is held up for some reason or the other. About 65 per cent of the total movement by rail goes direct to the mills and the remaining 35 per cent to the railway terminus at Cossipore which functions not only as a terminal railway but also as a virtual market yard.

The mills generally start procurement from the secondary markets and despatches commence from the month of September. During the six-month period from September to February they go on procuring every month roughly the requirement of 1½ month's consumption so that by the end of February they have three months' stocks. The mills also procure from the traders at Cossipore. Movement of jute from purchasing areas in Assam and Bihar involves transhipment from metre-gauge to broad-gauge. Cross-movement from east to west and *vice versa* across the river Hooghly is yet another problem. The problem of transport of jute is further aggravated by the simultaneous demand on the limited transport capacity by other commodities like tea. The North-East Frontier Railway handles the bulk of the railway movement in raw jute. The total quantity of raw jute moved by rail over different railways during the three years 1969-70 to 1971-72 may be seen from Table 5.

Almost every year bottlenecks in the railway movement of raw jute, particularly from Assam and North Bengal areas, have been a recurring feature. During the current year the problem has reached alarming proportions. Owing to floods and frequent heavy rains, arrivals of raw jute at the assembling points during the period July-October have been sparse. Even so, it has been reported, there has been a great back-log in the release of wagons, particularly in the North-East Frontier Railway, for the movement of raw jute.

The fact that the Cossipore Railway Yard is functioning also as a market appears to be aggravating the problem of congestion and release of wagons at Cossipore. It is reported that the merchants often find it profitable to pay wharfage for a short period till the jute is sold to mills rather than transport the stock to godowns nearby. The question, therefore, requires to be examined whether the practice of using the railway yard as a market should be put to a stop. While this may ease the pressure on the railway yard, the giving up of such an established practice will not be welcomed by the trade. A suggestion has been made that with a view to putting the railway's capacity to rational use two measures could be considered. Firstly, concessional freight for transport of raw jute during the off-season can be provided with a view to encouraging phasing of despatches from the assembling points to Calcutta.

TABLE 4: TOTAL NUMBER OF ASSEMBLING MARKETS AND NUMBER OF REGULATED MARKETS

State	Total Number of Assembling Markets for Jute/Mesta	No of Markets Regulated Out of the Total
West Bengal	62	10
Assam	52	nil
Bihar	40	36
Orissa	20	12
Tripura	10	1
Uttar Pradesh	4	4
Andhra Pradesh	6	6
Total	194	69

Source: Directorate of Marketing and Inspection.

Secondly, storage capacity for raw jute could be developed by the Central and State Warehousing Corporations at critical despatch points, which can be availed of by the mills, the merchants and the Jute Corporation of India so as to stagger the despatches to Calcutta.

In the railway yard at Cossipore, storage capacity for 23,000 bales is available. In addition, private godowns around Cossipore also have a storage capacity of about 3.5 lakhs bales. Considering that the daily average arrivals at the peak season (Sept-October) is around 6,000 bales (about 1.5 lakh bales per month) the storage capacity in the railway yard at Cossipore appears to be adequate, so long as the wagons are released without undue delay. The mills in and around Calcutta are reported to have a storage capacity of about 10 lakh bales, which is roughly equivalent to about 4 months' consumption. But bottlenecks occur because of the tendency on the part of the traders to hold up the release of wagons at Cossipore which places a great strain on the railways. It is in this context that the development of storage capacity at important despatching points with a view to phasing out the pressure on railway wagons becomes important.

It is estimated that there is transit-storage accommodation to the extent of 44 lakh bales in the assembling markets. Bulk of this is with the private trade and it is used for their own business activities. If the congestion in the Cossipore railway yard due to bunching of wagons and the increased pressure from additional production is to be eased, it would be necessary to build in each main marketing centre storage capacity of around 2,000 tonnes. This would imply creating a total capacity of 3.8 lakh tonnes or 19 lakh bales of raw jute. This capacity could be owned by the regulated market committees which have been established or which may be established in the near future, so that raw jute could be properly stored and the despatches towards Calcutta could be phased out. Keeping in view the estimated targeted production of 80 lakh bales of raw jute, capacity for about 20 lakh bales in the secondary markets appears quite essential.

CO-OPERATIVE MARKETING AND PROCESSING

Co-operative marketing and processing has not played an effective role in the case of jute unlike in the case of cotton and sugarcane. Very little of raw jute is handled by the co-operatives. During 1972-73 the quantity of raw jute marketed by the co-operatives amounted to hardly 28,000 bales. In most of the jute growing states, with the exception of Orissa, the co-operative marketing structure is not well developed. In Orissa, the Danpur Jute Marketing Society has been in the field of jute marketing for the past several years and has been able to handle a substantial part of the total jute produced in the state. In Tripura also the co-operative marketing structure is better organised and the entire jute growing area is served by a network of agencies under the Tripura Apex Co-operative Marketing Society. Jute Co-operatives will have to play a more active role as agents of the Jute Corporation of India so that the farmers can derive the full benefit from the support prices fixed by the government. During 1973-74 co-operatives are expected to handle a much larger quantity of raw jute on behalf of the Jute Corporation. (Co-operatives are reported to have purchased 2.24 lakh quintals of jute so far this season.)

As regards processing, there are only 40 jute baling units in the co-

TABLE 5: MOVEMENT OF RAW JUTE BY RAIL

('000 tonnes)

	1969-70	1970-71	1971-72
Eastern Rly	107	74	115
Northeast Frontier Rly	505	450	502
South Eastern Rly	67	56	110
North Eastern Rly	76	106	107
Northern Rly	1	1	1
Total	756	687	835

operative sector, 20 in West Bengal, 14 in Orrissa, 3 in Bihar, 2 in Uttar Pradesh and 1 in Andhra Pradesh. During the Fifth Plan, it is proposed to set up in the co-operative sector 21 more jute baling units. These programmes to strengthen the co-operative processing of jute will help co-operative marketing as well.

Although co-operative marketing and processing of jute is not well developed at present, having regard to the special features of jute marketing the establishment and development of marketing-cum-credit societies of jute growers appears to be the only solution if the jute growers are to be helped to secure higher returns. Only such an arrangement will make it possible to establish a link between the jute growers on the one hand and the Jute Corporation of India on the other. The National Co-operative Development Corporation should prepare a detailed blueprint for developing co-operative marketing and processing of jute keeping in mind the anticipated increased activity of the Jute Corporation of India in the years to come.

An important issue will be the availability of credit to the co-operatives for undertaking the purchase operations. It has been reported that during the current year the purchases by the co-operatives in West Bengal have almost come to a standstill for lack of credit. Situations like this will have to be avoided if the jute co-operatives are to fulfil their assigned role in the marketing of raw jute. It is worthwhile to stress here that adequate production credit should be given to the jute grower so that he does not have to make distress sales of his produce to some creditor who has financed his agricultural operations. This will help him also to market the jute through the co-operatives.

ROLE OF JUTE CORPORATION OF INDIA

One of the major objectives of the Jute Corporation is to conduct purchase operations to ensure the maintenance of support prices. During 1972-73, when it began activities in this regard, the Jute Corporation purchased a small quantity of 1.54 lakh quintals of raw jute valued at Rs 3.11 crores under the price support scheme. Of this, 1.04 quintals or 67.5 per cent were purchased through the Corporation's own purchasing centres and the remaining 50,000 quintals through co-operatives. The bulk of the purchases (more than 70 per cent) through co-operatives was made in West Bengal. Bihar, Orissa and Tripura each accounted for about 10 per cent of the purchases through co-operatives. During the 1973-74 season, the Jute Corporation is operating 30 departmental purchasing centres in all (which number in due course is to be increased to 100). Out of these 30 centres, 13 are in West Bengal, 8 each in Bihar and Assam and one in Andhra Pradesh. In Tripura and Orissa the entire proccurement will be through co-operatives. In Assam, procurement will be both through co-operatives and through departmental centres. The Corporation hopes to procure about 15-20 lakh bales of jute during the current year, both through co-operatives and its own departmental purchasing centres.

Admittedly, buying jute at the growers' level by the Jute Corporation poses many difficulties. The grade composition of the ungraded jute has to be correctly evaluated and its market value determined. In many cases, payment has to be made on the spot and in cash. This involves difficult problems of financial control and security risk since the departmental purchasing centres have to cover a number of weekly *hats* and feeder markets. Further, for each purchase centre, a baling press and a godown have to be hired with the necessary complement of labour. The Corporation has to compete with the trade in a free and fluctuating market and therefore has to be careful about the commercial viability of its transactions. The Corporation is now solely responsible for ensuring that the prices do not fall below the statutory levels. The Corporation is said to be contemplating the appointment of trade agents, to operate in carefully regulated conditions, at places where it is not possible either for the co-operatives or departmental purchasing centres to operate. However, if the price support programme for raw jute has to benefit the jute grower, it is imperative that the jute grower is brought into direct contact with the public sector agency; otherwise there is a danger of the benefit of the support programme not reaching the grower but being appropriated by the middlemen who figure between the cultivator and the public sector agency. This aspect of the price support operation has been clearly brought out by the Agricultural Prices Commission in its report on price policy for jute for the 1973-74 season. The Commission says, "In fact the full impact of the price support operations would not be felt unless the growers are brought into direct contact with the institutional apparatus designed to provide such support. Given operational difficulties involved in forging a direct link between the Jute Corporation of India and individual growers who have only small quantities of jute to market, the need for the establishment and active development of marketing-cum-credit co-operatives of jute growers can hardly be overemphasised. The development of growers' co-operatives should also make possible the provision of scientific grading facilities at the village level thereby enabling the farmer to realise the true worth of his produce."

The efforts of the Jute Corporation in reaching the jute growers will be considerably strengthened by the development of a network of purchase points in the concentrated jute growing areas which can be made the sub-yards of existing regulated markets. In these sub-yards, as mentioned earlier, processing and storage facilities could be adequately made available by market committees to be availed of by the Corporation on payment. In these sub-centres, grading services could also be developed by the state government in collaboration with the Directorate of Marketing and Inspection of the Government of India, so that the Jute Corporation will have a readily available arrangement for correct assessment of the quality of raw jute.

GRADING OF RAW JUTE

For a long time, the marketing of raw jute and price quotation by the trade has been carried on with reference to 27 different commercial classes of jute. Certain characteristics of length strength, colour, lustre, etc, which are peculiar to fibres from the different jute growing areas have formed the basis of this commercial classification of raw jute. This differentiation is based mostly on the area of cultivation. Raw jute is marketed by the grower in unassorted form which may contain jute of different grades. The jute grower does not undertake the sorting of raw jute into different grades. It is only at the assembling markets that raw jute is sorted out into different grades and then converted into kucha bales of any particular grade. The system of grading on the basis of commercial classes is complicated, cumbersome and discriminatory. The regional classification tends to restrict the marketability and the market value of raw jute from a particular area. For instance, a jute grower in Bihar generally gets a lower price although his produce may be better in quality. Similarly, jute from areas traditionally known for quality produce tends to fetch a higher price in the market. This deficiency in the system of grading of raw jute has, however, been overcome with the formulation of revised standards consisting of eight grades each for Tossa and white jute. These have been notified under Agmark under the Jute Grading and Marking Rules, 1971.

The task of familiarising the growers with the revised system of grading is not an easy one. The state governments in the jute growing areas have no doubt taken steps in this direction. In Bihar, grading staff consisting of 1 Grading Inspector with grading equipment has been posted in important regulated markets for jute. In West Bengal, two schemes are already operating for helping the growers in sorting raw jute. Five mobile jute grading units are already functioning in the districts of 24-Parganas, Malda, West Dinajpur, Jalpaiguri-Cooch Behar, Nadia-Murshidabad, Howrah and Hooghly. Additional mobile jute grading centres are also operating at Kalna, Samsi and Sheoraphuli. If the grading programme is to make any real impact and help the jute grower in getting prices related to quality, the problem requires to be tackled at two levels. Firstly, the jute grower has to be discouraged from selling his crop in the unassorted form. He should be educated to sort raw jute on the basis of grades before sale. Simultaneously, at the secondary market, grading of kacha bales under Agmark on the basis of the revised standards should be encouraged. The success of this programme, however, will largely depend on the readiness of the buyers to pay price for jute on the basis of the revised grades. The reported decision of the Jute Commissioner to fix prices for raw jute on the basis of the revised grades with effect from the next jute season and the reported acceptance of the trade of this revised procedure should give a fillip with scientific grading of jute.

During the Fifth Plan, special emphasis is being laid on the establishment of grading centres for commercial crops including jute. The marketing programmes of the Directorate of Marketing and Inspection, Government of India, include a scheme for the setting up of jute grading centres in the important assembling markets. The jute growing states have also included in their Fifth Plans programmes for organising grading centres for important commodities including jute. This will raise the question of availability of trained personnel for jute grading.

It is estimated that in all, 1200 trained persons will be required if the programme of grading raw jute at the farmers' level or in the regulated markets is to be properly implemented. By the end of the Fourth Plan about 200 persons are expected to complete training in grading of raw jute under the Directorate of Jute Development. The task of imparting training to the remaining 1,000 will have to be taken up on a priority basis to successfully handle the grading of raw jute.

MARKETING COSTS AND MERCHANTS

The participation of jute growers in the marketing of the crop is very poor. A variety of reasons contribute to this situation. The small quantity of raw jute available for sale, insufficient production credit, location of marketing centre away from the producing area, etc, are some of them. As a result, the intermediaries between the jute grower and the consumer continue to appropriate a disproportionately large percentage of the consumers' price for the services they perform. Cost reduction is possible only when there is direct participation by the growers. Although co-operative marketing of jute has not made much headway, that seems to be the only solution in the existing conditions. This has assumed greater importance with the establishment of a public sector agency in the form of the Jute Corporation to undertake purchases from the jute growers. Integrated development of marketing, processing and credit functions by jute growers' co-operatives alone can solve the problem.

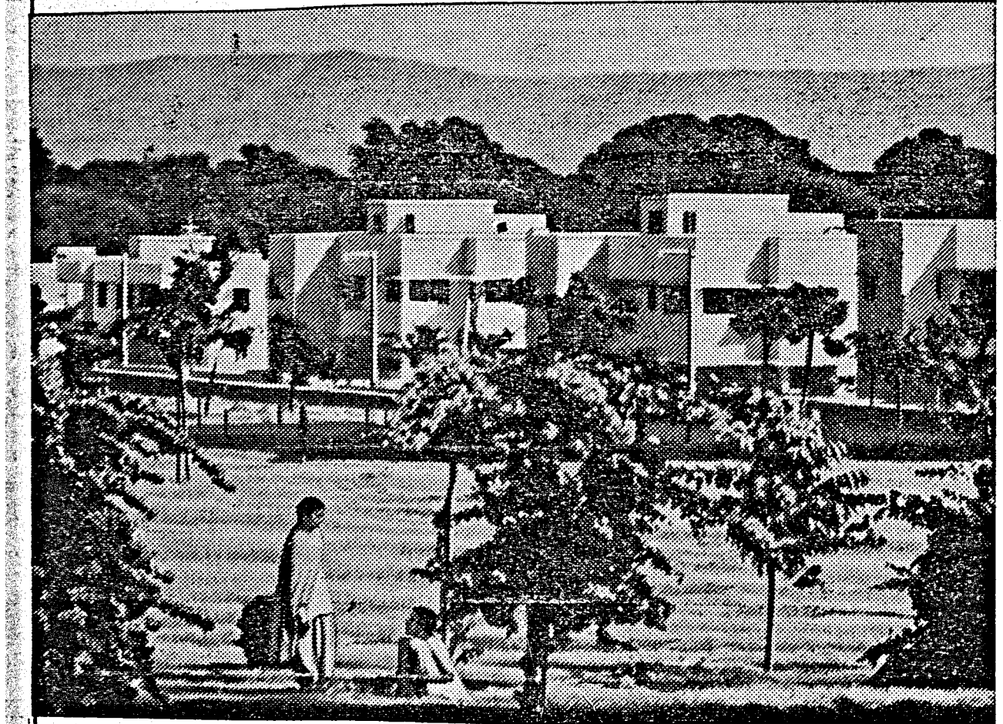
In Table 6 raw jute prices at different points of sale in selected markets have been compared. The grower's price in assembling market varied from 72 to 91 per cent of the corresponding Calcutta price during 1971-72 in 1972-73 the percentage varied from 74 per cent to 93 per cent. There is clear indication of the advantageous position of a jute grower situated nearer Calcutta as compared to those situated away from the consuming points. It is in recognition of this handicap that the price differential between Calcutta and

TABLE 6 : COMPARISON OF PRICES OF RAW JUTE (BOTTOM GRADE) AT DIFFERENT POINTS OF SALE

State	District	Market	1971-72			1972-73		
			Calcutta Price	Growers' Price		Calcutta Price	Growers' Price	
				Rs per Quintal	Percentage of Calcutta Price		Rs per Quintal	Percentage of Calcutta Price
1	2	3	4	5	6	7	8	9
West Bengal	Nadia	Chakdah	157.07	142.96	91.02	179.62	168.26	93.68
,, ,,	Hooghly	Sheoraphuli	159.18	144.83	90.98	182.29	168.82	92.61
,, ,,	Malda	Samsi	133.12	112.94	84.84	151.39	136.27	90.01
,, ,,	Jalpaiguri	Bclakoba	142.07	108.78	76.57	162.82	125.82	77.27
Bihar	Champaran	Chakia	114.60	91.05	79.45	119.10	99.36	83.43
Orissa	Cuttack	Jajpur Road	158.11	120.26	76.06	181.65	147.93	81.37
,,	,,	Danpur	151.50	126.86	83.74	173.01	153.31	88.61
Assam	Kamrup	Barpeta Road	147.43	106.26	72.07	168.30	124.80	74.15

Source : Directorate of Jute Development.

CAN A STEEL CITY ALSO BE A GREEN CITY?



Jamshedpur, the steel city of India, was planned to be a model of its kind.

"Be sure," wrote Jamsetji Tata to his son Dorab, "to lay out wide streets planted with shady trees, every other one of a quick growing variety. Be sure that there is plenty of space for lawns and gardens".

And that's what Jamshedpur is today; as much a city of gardens as of steel. Housing colonies have been planned and are being expanded, keeping in mind Jamsetji's wishes voiced over seventy years ago!



TATA STEEL

AIYARS.TS.58

up-country markets in the operation of the support price is being gradually reduced. This, however, can benefit the grower only when purchase operations are done at the support level. In an open market situation the solution lies once again in organising marketing co-operatives.

Conclusion

After having passed through a period of crisis characterised by short crops and dwindling export demand, the Indian jute industry is now placed in a position to turn the corner. There is a bumper crop of about 80 lakh bales in the current season. The foreign demand for jute goods is also likely to go up, particularly since the competition from synthetic substitutes may not pose such a serious threat, as was once feared, in the coming years. There are indications on the other hand that the production of polyolefin-based synthetics in Europe and America by giant corporations will receive a setback due to the present oil crises.

The demand for jute goods for internal consumption and exports is expected to increase from 7,01,000 tonnes and 6,23,000 tonnes, respectively, in 1974-75 to 9,01,000 tonnes and 5,57,000 tonnes, respectively, by 1979-80. The requirement of raw jute is expected to increase from 63 lakh tonnes in 1975 to 86 lakh tonnes in 1980.

The recent tariff agreement with the UK and the EEC regarding jute goods is also a welcome development and should help in improving India's export performance. But in any measure taken to put the jute economy on a sound footing, there has to be emphasis first on the improvement of the raw jute marketing structure.

Mobilisation of Landless Labourers

Halpatis of South Gujarat

Jan Breman

Halpati is the respectable name given by Gandhi to this caste of agricultural labourers of the Bulsar, Surat and Broach districts of South Gujarat in place of the name 'Dubla' which was considered pejorative. The Halpatis are not really adivasis; on the other hand, they are not considered to be full-fledged Hindus by the caste Hindu population.

The 'hali' system disintegrated in the last few decades before Independence. Increasing market production put an end to the traditional arrangements that were based on widely varying mutual obligations of an economic, political, cultural and social nature. The relations between 'dhaniamo', the landlord, and 'hali', the labourer, gradually became contractual and impersonal.

This paper deals with the political consequences of the change in the relationship between landlords and the Halpatis. The eclipse of the vertical ties that formed an integral part of 'halipratha' facilitated the reinforcement of horizontal solidarity.

Since the thirties, voluntary social workers have been devoting themselves to the improvement of the Halpatis' social position, working from the Swaraj ashram in Bardoli and later from similar social action centres in Surat and Bulsar districts.

Since 1961 social work among the Halpatis has been given an organisational basis in the Halpati Seva Sangh (HSS). However, the Halpatis have little reason to regard the HSS as an organisation that fights for their interests. For them it is an obscure body, affiliated with the government and representing external interests. The HSS cannot be called an emancipation movement at all; rather, its aims and methods prevent mobilisation of the Halpatis.

What possibilities of organised social action other than the HSS are here? To be sure, dissatisfaction among the Halpatis is growing. But it still expresses itself in disconnected incidents, particularly in strikes that flare up suddenly but remain limited to single villages and soon fall flat when landlords engage labourers from elsewhere.

The situation is ripe for an explosion; in fact it has been ripe for a long time. Yet none has taken place till now. Organisation of the latent unrest has been the lacking factor.

Halpatis, a Tribal Caste of Landless Labourers

THE majority of the population of South Gujarat is concentrated in the central plain, the backbone of Bulsar, Surat, and Broach districts. This old and fertile agricultural belt is also the area where the Halpatis live. They particularly inhabit the first two districts where, with over 3,30,000 caste members, they form about 12 per cent of the total population.

The division into *uljiparaj* and *kaliparaj*, light- and dark-coloured, is the main feature of the social structure in South Gujarat. Half the district population consists of "scheduled tribes", and the Halpatis are also registered as such. There are, however, marked differences among the tribal communities. Unlike the Halpatis, who were accommodated at the bottom of Hindu society long ago, the tribals living in the eastern parts — where the country becomes increasingly infertile and hilly — succeeded in maintaining a position of semi-independence well into the nineteenth century. Only gradually were they subjugated as sharecroppers and tenants by penetrating caste Hindus. While the Halpatis form a substantial minority in the central belt, the tribal communities in the eastern region make up 80 per cent or more of the local population. Consequently, tribal elements are more

pronounced in their social structure and culture. It is, therefore, hardly surprising that tribal emancipation movements, which arose in the eastern parts of the districts during the last decade,[1] have not found much support among the Halpatis of the plain.

The Halpatis are not really adivasis; on the other hand they are not considered by the caste population of the central belt to be full-fledged Hindus. The ambivalent way in which the Halpatis are ranked in the social order indicates their dependent and inferior position. Most probably, their low level of existence has prevented a more rapid process of Hinduisation in their case.

Halpatis have no recorded past as peasant owners. It is true that, locally, individual members of this caste own small pieces of land, but the majority has worked as agricultural labourers since long. According to the 1961 census, this was still the main, if not the only, source of livelihood for 73 per cent of them.

Condition of Agricultural Labourers: Past and Present

Agricultural labourers have usually been in the employment of the bigger land-owners. Their masters are nearly always Anavil Brahmans or Kanbi Patidars, members of the dominant castes of Bulsar and Surat districts. The dependence of the labourers was institutionalised in the *hali* system. Elsewhere I have described this pattern of relationships between landlords and their Halpati labourers in terms of bondage and patronage.[2]

Extension of scale during the last few decades before Independence resulted in the disintegration of the *hali* system. Intervention in local affairs by the colonial bureaucracy only played a limited role in this process of change. A more important factor was the commercialisation of agriculture. Increasing market production put an end to the traditional arrangements that were based on widely varying mutual obligations of an economic, political, cultural, and social nature. The relations between *dhaniamo* and *hali* landlord and labourer gradually became more contractual and impersonal. The daily grain allowance which, together with other daily and seasonal perquisites, guaranteed a subsistence livelihood for the Halpatis, was transformed into a wage paid in cash, in exchange for a more specific labour performance. The firm and intimate bonds between the households of landlords and their labourers, often continued from generation to generation, dissolved to be replaced by loose and limited contacts. The percentage of casual wage earners rapidly increased. To the extent that farm servants are still required, they are hired nowadays on a contractual basis.

The abolishment of the *hali* system was an aim pursued by Gandhi and his followers in South Gujarat. The struggle against colonial rule was, in their view, justified only if bondage within the country's own social order was also done away with. 'Halpatis' — literally, 'holders of the plough' — became the name of honour given by Gandhi to this caste of agricultural labourers in replacement of the name 'Dublas', which was regarded as pejorative. Since the thirties, voluntary social workers' have been devoting themselves to the improvement of the Halpatis' social position, working from the Swaraj *ashram* in Bardoli, and later from similar social action centres elsewhere in Surat and Bulsar districts.

The activities of the Gandhian movement were, however, directed at convincing the landlords of the injustice of *halipratha* rather than at mobilising the agricultural labourers toward discontent. But the Kanbi Patels did not even keep to the conditions — unfavourable for the Halpatis though they were — of an agreement that was reached in Bardoli in 1938 through the arbitration of Sardar Patel and with the approval of Gandhi for the purpose of putting an end to the *hali* system. Nor did a new attempt, undertaken by the political leader Morarji Desai in 1948, meet with success.. The change in the relationships between landlords and landless labourers in South Gujarat were, in my opinion, only marginally due to the efforts of the social workers.

From 1962 to 1963 I collected a great deal of data on the condition of the Halpatis in a few villages, and during a second period of fieldwork in 1971-1972 I used the opportunity to supplement and actualise my previous analysis.

On the basis of my first investigation I had arrived at the conclusion that the disappearance of the *hali* system was primarily due to the depatronisation of the relationships between the parties concerned. My opinion in this respect was strengthened by developments in the past few years. One of the most drastic changes in the labour market of South Gujarat is undoubtedly the fact that rural labour has become mobile over large distances. This large-scale migratory labour — it was one of the objects of study during my recent fieldwork — has a wage-depressive effect, and facilitates replacement in cases of, so-called, insufficient performance or 'impertinent behaviour' on the part of the Halpatis.

Labour is available in large supply and the fierce competition for work is enhanced by the enlargement of scale, so that labour comes into the market at prices far below subsistence level. In 1972 the daily wage for agricultural labour fluctuated between Rs 1 and 2. The labourers' dependence of landowners has not disappeared, but the humanising features of dependence under the *hali* system have. In the present relationship pattern, the exploitation of the Halpatis is more evident. Deterioration of the socio-economic condition of the agricultural labourers preceded the Green Revolution in South Gujarat and was, as a matter of fact, more a pre-condition than an effect of this technological breakthrough in agriculture. Social intercourse with labourers has been reduced to an absolute minimum.

Considerations of profitability are not the only explanation why landowners changed to more capital-intensive agricultural techniques in recent years. They have come to dislike personal contacts with their labourers and try to avoid them as much as possible by using jobbers and foremen. The Halpatis have become increasingly isolated.

Pauperisation is usually regarded as an economic phenomenon but in the case of Halpatis the social dimension might even be more important. This paper deals with the political effects of this process of change. The eclipse of the vertical ties that formed an integral part of *halipratha* undoubtedly facilitated the emergence of a common stand among the labourers; in other words, it made for reinforcement of horizontal solidarity. The poverty and exploitation to which the majority of Halpatis are exposed are now nothing but a breeding ground for political unrest. Spontaneous outbursts do occur, but they are local and incidental. Organisation is a necessary pre-condition for any sizeable and durable protest movement to emerge.

As is shown below, it is precisely in a situation of pauperism that the chances of such a development are severely limited. It has been argued by many observers that, in the present Indian situation, political awareness among the landless proletariat can only be fostered by organised action. But even if such action were provided from outside, social emancipation would not follow as a matter of course.

Obstacles in the Path of Self-Mobilisation

The impression that one is left with after talks with Halpatis in their peripherally situated village quarters is one of utter defencelessness in all respects. Their inability to find a way out of the misery and insecurity of their daily life leaves most of them no scope at all for any ulterior thought or action.

In the present social system there are simply not enough means of existence for the rapidly growing number of Halpatis. In the rural districts the labour supply far exceeds the demand; nor do the Halpatis easily find employment outside agriculture. They cannot be absorbed by the urban economy of the region. In the rivalry for the slowly expanding employment opportunities outside agriculture even the urban Halpatis barely come into the picture. As an unskilled category they are only considered for the lowest paid, least valued and most irregular work, and most of them lead lives nearly as forlorn as those of their fellow caste members in the villages.

In a never ending cycle the surplus is thrown out of the rural system. After the rainy season, about October, men, women, and children migrate in large numbers — in the Bulsar villages more than half of all Halpatis may go — to the brickyards and salt pans near Bombay and other cities, to return only towards May, before the beginning of the monsoon. Year after year this seasonal migration is repeated. The splitting up of households — some members stay behind, the others are put under contract by one or different jobbers — fits into the picture of pauperisation. The yearly exodus does not really enhance the employment opportunities for those who stay home : in the slack season the agrarian labour market remains saturated, partly on account of the influx of migrants from other regions looking for work. The Halpatis have become redundant in society. Many of them are drifting and have all but lost their roots in both village and family life.

A coalition with castes of petty cultivators (notably Kolis, Dhodhias, and Chaudaris) might invalidate the Halpatis' isolation, but it is not likely to occur. In a very general sense the land reforms have stabilised the position of the small landowners and most of them have few interests in common with the Halpatis. Although many small-holders have not profited much by the Green Revolution — if their position has not deteriorated —, the social, economic and political advantages attendant on caste membership operate against their early identification with the powerless agricultural labour proletariat. That the demoralising situation, in which the Halpatis are placed, manifests itself in political inertia is only natural. Their need of security and protection, essential to the former *hali* system, is not met by the government.

The huts of the Halpatis used to be on the land of the landowners, but in many villages they now live together in separate quarters. They have usually been allotted the worst parts of the terrain, difficult of access and far from the village centre, where they live as untouchables. Compulsory education has been introduced, but very few Halpati children attend school. About nine in ten caste members are illiterate, the highest proportion in the central plain of South Gujarat. In the second half of 1972, after years of delay, the minimum daily wage for agricultural labourers was at last fixed at Rs 3, a considerable rise. Efficient control is lacking, however, and in practice employers do not abide by the law. But if they did, the amount would still not be enough for the Halpatis to meet the sharply rising cost of living.

The majority of Halpatis believe the only thing they owe the government is obedience, and try to avoid all further contact with its officials. The benefits put at the disposal of "scheduled tribes" do not reach them. "For that you need influence", they say resignedly. The time is past that the votes of the agricultural labourers were returned through their masters, but that does not mean they are now politically emancipated. They lack the awareness that, collectively, they generate power. During the campaign for the state elections in 1972 I found that many Halpatis were not registered in voting lists. Often they had no idea of the differences between the parties; but then, such differences, if any existed, were scarcely relevant if seen from their position. Their votes were for sale at a few rupees, and especially among the higher castes colourful tales were told about it. An often heard opinion among members of the social upper layer, who feared the strength of their number, is that only literates should be allowed to vote.

The Halpatis' passivity is closely bound up with their ignorance. They often turn out to be only vaguely, if at all, aware of slogans such as 'garibi hatao', although these were raised in their name. Illiteracy deprives them of a great deal of information. The combination of indifference and ignorance, both indissolubly bound up with poverty, underlines their exclusion from society. Those of them who have some notion of what is going on have the greatest trouble to explain their point of view.

These drawbacks are partly due to the fact, that the members of castes of landless labourers are not accustomed to function within frameworks which stress collective aims. Their experience with group activities is very limited. The traditional caste panch at the village operates only incidentally, and then it is a question of one or more persons (patels) meeting to settle divorce or other disputes among households. Probably more important as a new organisational form are the *bhajan mandlis* which, stimulated by workers from the *ashrams*, have been set up in the past few years. They are groups that gather one evening a week to sing devotional and Gandhian songs. Finally, group experience is gained by working in gangs, initially composed for semi-industrial work, but now also for agricultural operations.

The Halpatis themselves explain their backwardness from a lack of leaders. It is true that there are no figures among them who are known and prominent in the region as is the case with most other tribal castes in the plain of South Gujarat. Even at the village level there is very often no leader recognised by all Halpatis. Influence seems to be exerted by individuals only within their own hamlet, and jealousy is a complaint heard on every part. Outsiders, experienced social workers, too assert that Halpatis are not capable of collaborating with one another.

It should, however, be borne in mind that landless labourers do not form a homogeneous mass as such. The interests of farm servants, casual wage-earners, gang labourers, piece-workers, and seasonal migrants are partly opposed. Moreover, all of them are to varying extents dependent on landowners and jobbers, their principal employers. The competition for the few favours to be had in a situation of continuous scarcity in each and every respect invalidates any strengthening of horizontal solidarity.

Dependence has, finally, been internalised by the Halpatis. In the

households of the high castes, one Halpati said, our women are daily injected with poison. In conversations with Halpatis, references to their own backwardness are not at all uncommon. Those few that have been educated may speak bitterly of their fellow caste members' lack of culture, but many of the others have a low opinion of themselves too. What other caste, they wonder, lends itself to cleaning the stables and performing the dirty housework for the landowners?

Does the above suffice as an explanation of the passivity among agricultural labourers? Apathy, ignorance, and feelings of inferiority fit too well into theories of a culture of poverty to be altogether acceptable as the sole or even the main reasons.

The Halpatis are certainly aware of the structural conditions that obstruct the betterment of their lot. They show a deep grudge against the high castes in general, and the Anavil Brahmans and Kanbi Patels in particular. "They are the ones who oppose us; not only in the villages, but also in the government offices, where they have to put their signatures and stamps on papers that are important for us." Agricultural labourers used to be able to count on the intercession of their masters, but now they often meet with opposition on the masters' part, inspired by vexation over their labourers' insufficient work performance. To prevent the Halpatis from becoming too independent, the landowners may use their influence with the district officials against them. They often succeed. Aside from this, the Halpatis have their dependence rubbed into them in more direct ways.

As I said above, especially the agricultural labourers are wide open to the various sanctions that the rural elite has at its disposal, particularly that of demoralising their potential leaders, those who testify to an insight into their own situation and adopt militant attitudes. The police, too, is an instrument of oppression. Although the days of individual violence are gone, when every landlord felt entitled to give his farm servant a good thrashing for "misconduct", other kinds of arbitrary behaviour are still common. Accusations of drinking or crop theft, false or not, are an effective way to call Halpatis to order, and maltreatment of the accused by members of the local police force, the hated "brown dogs", is not exceptional.

In the circumstances, submissiveness and avoidance is an obvious reaction. A group of agricultural labourers who had been granted permission to build their huts in a village on government land, concurred with a petition, composed by the large landowners who were afraid to lose their grip on them, in which they cancelled their request. Examples such as this are the order of the day. Their fear of committing themselves is evident, and this explains why only shopkeepers, artisans, and others who enjoy a measure of independence and security, emerge as leaders in the Halpati neighbourhoods. Yet even these self-styled representatives of their own caste are not altogether to be trusted. All too often they have turned out to be agents for outside interests.

The investigator's contacts with Halpatis do not run smoothly. His questions are answered vaguely, evasively, or not at all. The informants are fully alive to their own vulnerability and have learned to put no trust at all in outsiders. They pretend to lead an extremely atomised existence; a striking number of Halpatis denied to me having friends or maintaining social contact with neighbours or others in their hutment area. To some extent this is true, no doubt, but at the same time statements like these indicate the defensive attitude they have adopted. It is the contacts in their own neighbourhood that enable them to form closer mutual ties. And in fact they sit together in groups in front of their huts at night, and thrash out among themselves the forms and degrees of exploitation they suffer at the hands of landlords, shopkeepers, government officials, police, and social workers. The cumulative weight of economic, political, and social dependence invalidates the view that class feelings do not occur among pauperised categories. For them to show any such feelings is imprudent; to act accordingly, impossible.

My conclusion is that this combination of structural and cultural conditions, intra-caste and intercaste contradictions is at the bottom of the Halpatis' inability for self-mobilisation. I hope to show below that not every outside attempt to mobilise them is successful either.

Organised Action: Gandhian Approach

The role played by the Gandhian movement in the disappearance of the *hali* system has been touched upon above. In the early twenties, some of Gandhi's close collaborators made themselves leaders of a reform programme that was to bring about the emancipation of the adivasis in South Gujarat. But the activities undertaken by these people, working from the Swaraj *ashram* in Bardoli and one of its branches in Vedcchi, both in Surat district, were mainly directed at the tribal castes whose members led a semi-independent existence as petty cultivators. Already then there were a few ashramites who took interest in the Halpatis, but under pressure from the local landlords they gave up their attempts to run night-classes for the agricultural labourers in a number of villages. Serious work among the Halpatis only started after Independence, partly inspired by the report written about them by Jugatram Dave, the oldest and most prominent protagonist of the movement.[3]

The *ashrams*, most of which have also become educational institutions, function as action centres that aim at changing the rural system in a Gandhian direction. Apart from this, Gandhi's ideas have penetrated among the population of South Gujarat in a more direct way. In many villages there are persons who perform social work on an individual basis in accordance with the doctrines of Gandhi. They advocate social reforms such as the material and cultural improvement of the tribal castes, abolishment of untouchability, prohibition, women's emancipation, or village uplift in a general sense. For the *ashrams* these social workers are key figures, through whom they maintain their contacts with the local population. The chief task of these social workers is mediation. Their aim is to advance neglected interests and to speak for deprived categories. They try to gain access to those who take decisions or have favours to distribute in the government offices. Most of these voluntary workers are inspired by a mixture of social awareness and political ambition. Their influence on the regional level is needed to gain advantages for the people under their care, while on the other hand they are attractive to political parties owing to the votes they can control.

The older social workers are mostly members of higher castes and, if only for that reason, not acceptable to the Halpatis as confidential agents, even if they are apt to describe themselves as such. In the last few years, increasing numbers of young adivasis, trained in *ashrams*, have succeeded in establishing themselves as social workers. They are practically all Dhodhias or Chaudaris, that is, members of landowning castes that form the majority of the population in their tribal constituencies. They see to it that the benefits distributed on behalf of the "scheduled tribes" in the way of employment, education, agriculture, and so on, go to their fellow caste members. The Halpatis are given the go-by.

The Halpatis live scattered over a large area in which they form a minority and, as I said above, they have no supra-local leaders of any importance. More than half the taluka seats for the state assembly in Ahmedabad have been reserved for tribal candidates, but not one of these seats is occupied by a Halpati. Nor does the weight carried by Halpatis in the district councils correspond in any way with their proportion in the total population. In Bulsar District, for instance, no member of the important Social Welfare Committee through which the benefits for "backward communities" are channelled, belongs to this largest tribal caste but one of the region. The Dhodhias, on the other hand, who are only slightly more numerous, command an absolute majority in this committee.

Whereas some decades ago the voluntary social workers in the villages followed Gandhi in stressing their spiritual guidance, they have since Independence narrowed down their role to that of local-level politicians. In a slightly different way the Gandhian movement itself has undergone professionalisation. I P Desai, in a very interesting study, has described this process of change and its implications.[4] Referring to the *ashrams*' staff workers of today, he says, "The social worker is likely to be a paid worker and organiser, committed to fixed, assigned duties, rather than the Gandhian missionary type, which is becoming a historical type." The transition outlined by him from movement to organisation is very pronounced in the case of social work among the Halpatis.

Halpati Seva Sangh: Organisation and Programme

In 1961, social work among the Halpatis was given an organisational basis in the Halpati Seva Sangh. As early as 1946 a Mahajan had been founded, an association that aimed at emancipation of this caste on the principles of truth, non-violence and arbitration. Those who took this initiative continued to operate from the *ashrams*, especially those of Bardoli and Vedcchi. Jugatram Dave acted as chairman of the Halpati Seva Sangh, in an honorary capacity. Although thus the tie with the institutions was preserved after 1961, that year saw the beginning of a new phase. In Bardoli a head office was established, in which an ever-growing administrative staff now co-ordinates all activities among the Halpatis of South Gujarat. During the years that followed, twenty local branches were founded in talukas where Halpatis form a substantial part of the population. In the survey published on the occasion of the organisation's tenth anniversary[5] it is said that in 1972 almost 20,000 Halpatis were registered with HSS; they theoretically pay a subscription of 10 P a year. Apart from the nearly 500 paid staff members, the organisation comprises about 2,000 unpaid helpers and contributors, for the most part non-Halpatis. There are taluka and district boards, composed of members of the various categories which discuss the activities once a year. The subscription fees are, of course, negligible as a source of income. The broadly conceived programme, aimed at the social abolishment of the caste of agricultural labourers in South Gujarat, is practically wholly financed by the government.

The most important HSS activities are:

—Mediation in the allocation of land to Halpatis to build their huts on, so that they depend less on the landlords. The striking of wells or pumps in the new quarters. The founding of co-operative housing societies to enable them to build better huts. The government has only granted subsidies for this purpose since the great floods of 1968, and until now on a limited scale.

—Foundation of schools of their own, to make up for backwardness in education. In the new village quarters, over a hundred kindergartens have been opened. Distributed over the districts, there are also five primary residential schools and four secondary schools. In spite of the provision of free books, clothing, food, and accommodation, the schools do not generally attract many Halpati pupils. To avoid losing the government subsidies they therefore accept children from other tribal castes, who in some schools account for more than half the total number of pupils. This also applies to the seven hostels that accommodate boys and girls who attend the ordinary village schools.

—Employment opportunities. A limited number of young people are enabled to be trained as artisans. After completion of their training they are given a modest amount of equipment needed to practise their skills. The khadi household industry, much less propagated now than it used to be, has failed to take root among the Halpatis. The establishment, after years of preparation, of eighty-five agricultural labour co-operatives seems to be more promising, but none of these has as yet developed into a going concern.

—A wide range of socio-cultural activities. Propaganda is carried out for prohibition, till now without much success. It is encouraged indirectly by *bhajan mandlis*, which spread Hindu values. Young people's clubs campaign to attract pupils for the schools. Women's groups are formed, which apply themselves to learning *garba* and other high-caste dances. To prevent crippling expenditure for marriage festivities — often the beginning of increasing indebtedness — garlands are presented to couples in substitute marriage ceremonies. In case of illness, Halpatis are entitled to either medicines or the cost of medicines. Agricultural labourers who are in serious conflict with the police or their landlord can count on legal aid. A few times a year, *sibhirs* are held, meetings of one or more days, to which Halpatis with leadership qualities are invited. To widen their horizon, they occasionally go on tours to other parts of South Gujarat.

Although on paper this look impressive enough, various components of the programme are only moderately successful. It is, however, not at any shortcomings in the implementation that our criticism should be directed, but at the ideology underlying the programme and the policy of the organisation.

To begin with, it may be stated that the HSS has become the executive body for all provisions and regulations intended to benefit the Halpatis. Besides the activities enumerated above, the salaries of the staff members and other overhead costs are paid by the government. This means that the organisation is an extension of the bureaucratic apparatus without, however, possessing its authority. In the circumstances, any real consideration of the Halpatis' interests is an illusion. The HSS, as a semi-government body, cannot possibly act as a pressure group which is a *sine qua non* for winning the confidence of the people whom the workers are supposed to represent.

Secondly, the work of the HSS has aggravated the isolation of the agricultural labourers rather than relieved it. According to the law they cannot be

evicted from the land on which they have built their huts. Instead of supporting the valid claims of the Halpatis in this respect, the organisation promotes their removal to separate village quarters. In remote and often badly drained neighbourhoods, deprived of the most elementary public facilities, the Halpatis live together with a stain of untouchability. Separate educational provisions contribute to their apartheid. Young people who have been educated in these schools complain that the Gandhian bias in the curriculum damages their chances, which are weak to begin with, in the labour market.

Thirdly, the HSS is above all a welfare organisation. Most of its activities are ameliorative in character. They are aimed at relieving the worst distress, and at the same time, at educating the Halpatis to be better Hindus. This, especially, seems to be the nature of the emancipation the HSS strives after.

The HSS advocated higher wages for the landless proletariat. But when agricultural labourers go on strike somewhere to reinforce their claims, the social workers intervene in order to prevent rising tensions and to reach a compromise. Self-respect and class-consciousness are not taught. On the contrary. The organisation does not aim at making the Halpatis able to stand up for themselves, aware of their exploitation and oppression, but envisages their adjustment to the social system without any fundamental change in their dependence. It is true that the rural elite does not take very kindly to the existence of the HSS, even if no threat to the *status quo* emanates from it. But, says the present leader meaningfully, it is due to the absence of communist influences among the Halpatis that the organisation is assured of support by the government and does not meet with more obstruction on the part of the landlords.

The mobilisation of the labourers is non-antagonistic in nature. The Gandhian principles of arbitration, compromise, and avoidance of open clashes between the parties concerned form the basis of this policy. In the Gandhian ideology, the class struggle is not so much strategically unjustified as immoral. In the conservative South Gujarat, to speak of an unbridgeable cleft between rich and poor is nearly viewed as sinful.

In the strongly harmonious Gandhian view of the social order, the landlords are placed as guardians of the rural riches, ideal patrons, who are expected to take good care of their subordinates. There are, of course, contrasts, but these should be neutralised by persuasion and reconciliation. Capital and labour should co-operate. In spite of disappointing past experience, the HSS persists in this approach. But in the prevailing, socio-economically sharply polarised system, such an ideology plays the game of the landlords. Attempts to persuade them to treat their labourers better are of no avail. Yet the labourers are invariably urged to be patient and moderate in their demands. The HSS, in short, is a movement of accommodation rather than emancipation.

Political Leadership

Ever since its foundation, the HSS has been a stronghold of the Congress party. As early as 1963 I attended a meeting, at which Morarji Desai, a man from the region, announced that times were changing for the Halpatis. Now that, after the disappearance of the *hali* system, the labourers' votes can no longer be controlled through their employers, the existence of the HSS makes it possible for a party that serves the interests of the landlords to acquire the support of the labourers.

The 1969 split in the Congress party seemed to initiate a more radical course. The majority of the HSS top, and most of the voluntary social workers, fairly soon declared themselves for Indira Gandhi's party, while the regional government was still solidly in the hands of Morarji Desai's supporters. Promptly the subsidies to the HSS were stopped. But the time of adversity did not last long, for in 1972 the Congress(R) came to power in the region, and the interests of the HSS and the ruling party ran parallel again.

The split has further strengthened the tendency towards polarisation. The HSS leaders became very prominent in the Congress(R) of South Gujarat. Fearing that the Halpatis would take the 'garibi hatao' seriously, and follow Indira Gandhi's supporters in a body, members of the Congress(O) founded a new organisation, the Halpati Vikas Sangh. They put forward a number of discontented Halis as figureheads. One of them, whom they suspected of having political aspirations of his own, was already sent home before the election, the others were dimissed afterwards. In none of the talukas of Bulsar and Surat Districts were locally influential Halpatis put forward as candidates. They were only required for canvassing among their fellow caste members.

The HSS is an organisation for the Halpatis, but not of them. The leadership is solidly in the hands of members of high castes. Among a delegation visiting Indira Gandhi early in 1972 to request her to allocate more money for the work among the Halpatis, only six of the 30 members belonged to this caste themselves. The hierarchical order is also evident at the meetings that are held in the districts. The senior social workers sit in the front rows with the local notables. They address the agricultural labourers, who are standing at some distance. The social workers from the higher castes attach great importance to excessive drinking, lack of self-discipline, etc, as explanations for the Halpatis' poverty. In fact they agree with the translation of the Halpatis' former name of Dublas as "weaklings". As one of them remarked, "You can always see which of them are landlords' bastards: they have more courage and intelligence."

The Gandhian veteran Jugatram Dave has entrusted the daily management of the HSS to Arvind Desai. The transition from semi-religious to political leadership could not be better illustrated. The aged spiritual leader is held in great veneration. Those who meet him derive moral inspiration from the contact. He is far above the parties. The contrary is true of Arvind Desai, a "boss" if ever there was one, who leads the organisation with a strong hand. His word is law, and he leaves no doubt about it. His attitude is recognisably that of a member of the dominant Anvil caste. Not afraid to evoke the wrath of the landlords, paternalistic in his behaviour towards the labourers. He acts like a *rajah* in his domain. When, for instance, the rendering of the song of welcome by the pupils in honour of our visit to a Halpati school was not wholly perfect, he gave vent to his displeasure in no uncertain terms.

The HSS cadre — the local staff members and teachers — consists for the most part of Halpatis. They are generally young people who have been educated at secondary schools, some of them even at the Gandhian Vidyapith College in Ahmedabad. The organisation is strongly centralistic, keyed to one-head leadership. The staff members at the local level are not authorised to take decisions on their own; they have to refer for the smallest details to the directives issued by the Bardoli head-office, where policies are determined. Those who act on their own authority run the risk of being instantly dismissed. The lack of security — in the lower echelons, the staff members do not hold permanent appointments — virtually enforces submissiveness and unconditional obedience. One of the workers described the HSS succinctly as *halipratha* with Arvind Desai in the role of *dhaniamo*. They have to take second place, and regard this as a conspiracy of the high castes, of which they are able to quote many examples. They are not always right, but figments of the imagination may be quite as illustrative of the prevailing social relationship as facts. These staff members dream of taking over the leadership of the organisation, or discuss plans to form groups in secret, in order to offer resistance to the established interests inside and outside the HSS. There were vague references to the Naxalist movement and — very topical at the time of my fieldwork — the Mukti Bahini fighting groups in Bangladesh. But most of the staff members in the lower echelons have resigned themselves to powerlessness and dependence, are under no illusion as to the power of their number, and also show little compassion for the miserable lives led by their fellow caste members. They cling to their jobs in the certainty that they cannot find any other employment.

Contacts with Halpatis

The local workers represent the HSS in the villages. The contacts with the agricultural labourers are indirect, that is to say, through those who have come to the fore as leaders in one or more neighbourhoods (phalias). They are visited in the villages or asked to come to the small office of the local branch in the taluka for consultation.

As I said above, this informal leadership can only be fulfilled by Halpatis who are not directly dependent on the landlords.[6] Another condition is that they must have enough time to maintain their contacts. A Halpati is not recognised as a leader either inside or outside his village until he proves that he is functional to both levels. Since communication is nearly completely verbal he has to be out most of the time, keeping up with the news, maintaining and extending his channels of information. Some ability to read is a real asset, and he must at least be able to put his signature. Finally, all my informants asserted that a certain amount of "culture" was required: a leader must know how to behave in his contacts with outsiders.

The leadership in question is of a different kind from that exerted by the panch patel and the bhagat (medicine man). Their roles have traditionally been attuned to the needs of the Halpatis themselves, whereas the mediation of the leaders in the village quarters is primarily a question of dealing with outside influences. They themselves have none of the scarce resources at their disposal, but they know how to get access to them. Their intervention is badly needed, especially since the landlords have come to refuse to promote the interests of their subordinates. Through these intermediaries the isolation of the agricultural labourers is somewhat mitigated.

The leading position of the local influentials finds recognition by and through the HSS. They are invited to meetings at which social workers of a higher level lecture on the abuses of alcohol or propagate education. All those present are asked to introduce themselves and tell something about their own background. In this way they get acquainted with each other, and a loosely structured network of supra-local relationships grows. The HSS staff keeps them posted on the various activities; the distribution of possible benefits — allocation of land for huts, issue of scholarships, the striking of wells — takes place through their intermediacy.

These local leaders form the backbone of the HSS. In the latest election campaign they functioned as the real mobilisers of the Halpatis. But as it turned out, their political preference was inspired by very pragmatic considerations: they selected the candidate who stood the best chance of winning. There was no question of any ideologically motivated choice. Most of them were inclined to regard the differences within and between the parties as conflicts between persons and factions of the elite. Being aware of the fluctuating course of coalitions, these Halpatis tried to behave politically as neutrally as they could.

Are they recognised by the Halpatis as their spokesmen? They are, as I said above, the only channel through which the labourers can obtain benefits. But very clearly they have their own interests, and these do not always run parallel to those of the labourers. They are often blamed for being agents of those in authority. It would, therefore, be incorrect to believe that the Halpati influentials enjoy the confidence of their fellow caste members. This goes even more for the workers of the HSS, who are in fact identified with the government officials and scornfully called *chamchas* (lackeys) of the high castes. The local staff members also behave like minor officials. Dressed in terylene trousers, shoes, socks and shirts, and armed with plastic briefcases and with fountain-pens in their breast-pockets, they address the Halpatis on their rounds through the villages. Reprimandingly, because they do not send their children to school, or encouragingly when it is a question of a *bhajan mandli* to be formed, but always as their superiors. Their audience is silent, smiles diffidently, or shows signs of muted agreement. Behind their backs the Halpatis — those at least that know about the existence of the HSS — complain of the carelessness, arrogance, and also the corruption of the cadre. The Halpatis are as wary of them as they are themselves of voluntary social workers and politicians from the higher castes.

The Halpatis have not much cause to regard the HSS as an organisation that fights for *their* interests. For them, it is an obscure body, affiliated with the government and representing external interests. It is therefore doubtful whether the HSS may be called an emancipation movement at all. Its aims and methods rather seem to prevent mobilisation.

Conclusions

With the above, the HSS would seem to stand condemned, but any such judgment should be modified by an appraisal of possible alternatives. First of all, the situation of pauperism as such prevents the agricultural labourers from reaching solidarity on a class basis. In a situation of such extreme scarcity, how could we expect them to mobilise on their own? To be sure, dissatisfaction among them is clearly growing. But it still expresses itself in disconnected incidents, particularly in strikes that flare up suddenly but remain limited to one village and soon fall flat when the landlords engage labourers from elsewhere. There is further, little likelihood that the bargaining power of agricultural labourers will be strengthened by their joining forces, on their own initiative, with castes of small landowners. Their economic interests differ too much for that, and their social distance is too great.

What possibilities of organised social action other than by the HSS are there? The political Left has barely found a foothold in South Gujarat. The Praja Socialist Party is as good as liquidated. The cadre of this party had collectively gone over to the Congress party in the early sixties, in exchange for the promise that the large grassland area in the south of Bulsar Dis-

trict, which was in the hands of big landowners, would be distributed among the petty cultivators of tribal castes (the Pardi Grassland Movement).

The Communist movement, which has always been weak in the region, lost even more power after the split in the Congress party. Its most prominent leaders went to the party of Indira Gandhi, taking part of the rank and file with them, and they adjusted themselves without difficulty. Only in the cities of Surat and Bilimora there are small CPI nucleii left. The section in Bulsar district has less than a hundred members. They are practically all urban factory workers, an exceedingly privileged category in comparison with the landless paupers. In the rural regions the CPI is not very active. Bulsar and Surat districts have never known a strong kisan movement. A handful of members in a few villages of Chikhli taluka — the red flags fluttering from long poles over their huts does not make them difficult to trace — led the illegal occupation of some fields belonging to big landowners at the time of the Land Grab Movement which took place all over the country in the autumn of 1970. Some hundreds of Halpatis joined in the short-lived, badly prepared action. The HSS staff had received orders not to support them, nor were they allowed to aid the victims of the ensuing police terror. Rumour has it that the recent murder of a CPI cadre member in this region was staged as a drunken brawl. The CPI leader of the Bulsar District stated that the factory workers are much less militant than the landless Halpatis for fear of losing their jobs. In explanation of the lack of political awareness among the peasant population in the area he said, echoing the words of a national party leader, that Gujarat was the Taiwan of India!

Nor is it to be expected that the Halpatis will join the tribal movement, which reached a peak towards the end of the sixties. The chances of a religious revival based on simple Hindu doctrines, however, are much greater. Literate Halpatis feel strongly attracted to the popular devotional tracts that are distributed on a large scale. The rise of sectarian movements — for which the *bhajan mandlis*, too, prepare the way — is to be explained as a protest against the social discrimination of the Halpatis, but also as an escape from the misery of daily life. It does not look as if the situation of the landless proletariat will soon improve. What are the perspectives for betterment envisaged by the Halpatis themselves? They are not expressed collectively. In any case they should not be measured by those of the HSS. It is believed that pauperised categories tend to hark back nostalgically to the past, and to some extent they do. They claim that they are entitled to the security that was inherent in the *hali* system. Does this mean that they long for the old order to be restored? Not at all. They value security of enough work at a wage that enables them to keep alive. But they are certainly not interested in a return to the dependence and bondage that formed the basis of the relationships of former times. Landlords show boundless irritation over the fact that agricultural laboureres no longer know their place, that is, no longer wish to behave obsequiously. It would seem that precisely the hopeless situation in which the Halpatis now find themselves enhances their militancy. But mobilising agricultural labourers requires more than that. An increased capability to organise themselves is crucial, and this is done, albeit with other ends in view, by the HSS. The establishment of agricultural labourers' co-operatives, and the leadership training courses for Halpatis who, owing to the efforts of the HSS, have been elected village headmen, widens the organisational experience of a growing number of Halpatis. It is an experience which may in the future be used in a way that leads to real progress.

From this point of view, the growing impatience of a number of social workers inside and outside the HSS is equally promising. Disappointed in the landlords' unwillingness to offer the Halpatis a decent existence, they are inclined, in imitation of some movements based on Gandhian ideology elsewhere in India, to set a different and more radical course. It is the course of so-called non-violent direct action in which, if necessary, a confrontation with the landlords is not avoided. The supporters of this view may succeed in adapting, in this way, the Gandhian strategy to the actual situation, that of a polarised rural system. An important fact in this connection is the organised radicalisation of the rural elite. Their representation in the political arena till now was mainly based on caste, but their dominant position is gradually changing in quality. They are increasingly manifesting themselves as a class, and the emergence of economic-interest organisations — such as the rapidly growing Khedut Samaj in Surat district — confirms this tendency. The landlords are opposed to any movement, however moderate, that aims at improving the condition of the agricultural labourers. The aggression of the large farmers is heightened by the organised pressure they exercise nowadays, and this in turn leads to a further escalation of conflicts.

The situation is ripe for an explosion; in fact, it has been ripe for a long time. Yet none has taken place till now. Not because things can be worse still: there are limits to the absorption capacity of a demoralised proletariat. Organisation of the latent unrest is the lacking factor. It will probably be after the event that we will know at what moment the optimal combination of factors came into being. But it would be frivolous to assume that, on account of their pauperism combined with Gandhian conditioning, the Halpatis cannot be mobilised in a more antagonistic way. How this will come to pass, and what will be the outcome cannot easily be predicted. In view of the present situation in India, however, there is little reason to be optimistic about an early emancipation of the agricultural labourers.

Notes

[My fieldwork during 1971-1972, which forms the basis for this paper, was sponsored by the Netherlands Foundation for the Advancement of Tropical Research. The material presented here was gathered in conversations with some hundreds of Halpatis and repeated meetings with about 15 of their local leaders in towns and villages, mainly in Bulsar District. Apart from that, I obtained much information from the regular contacts I maintained with functionaries of the HSS and social workers who do not belong to the organisation and are active among the Halpatis. This category consists of over 25 informants both in Bulsar and in Surat District. Finally, some of the data I gained from interviews with 15 politicians of various parties and with a number of officials from the district bureaucracy.]

1 I P Desai, "The Slogan of a Separate State by Tribals of South Gujarat", in ICSSR research Abtracts No 4, New Delhi 1971, pp 7-21.

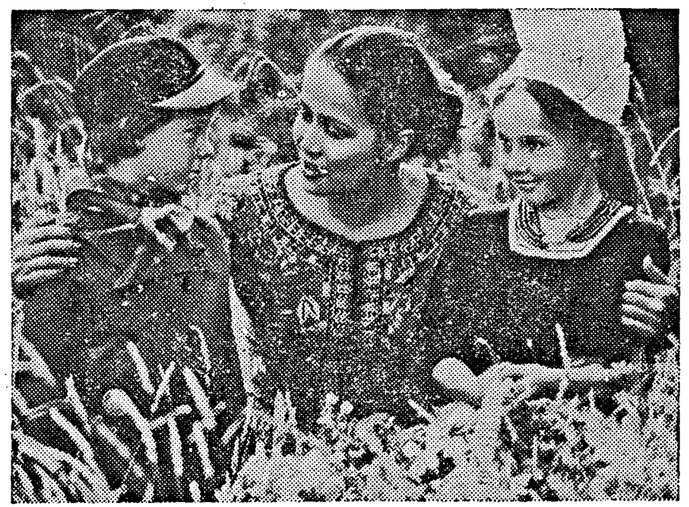
2 More detailed in "Patronage and Exploitation, Changing Agrarian Relations in South Gujarat, India", University of California Press 1974.

3 Jugatram Dave, "Halpati Mukti", Ahmedabad 1946.

4 I P Desai, "The Vedcchi Movement", Centre for Regional Development Studies, Surat. Manuscript 1969.

5 "Halpati Seva Sangh, Bardolini Pravuttini Jhamki", Bardoli 1971.

6 Among the 15 local leaders I met, there was not a single agricultural labourer; some have a shop in the Halpati neighbourhood or are artisans (carpenter, mason), the others work outside their village as office peons, tiffin carriers, etc.



"Her voice was
ever soft,
Gentle and low,
an excellent
thing in woman."
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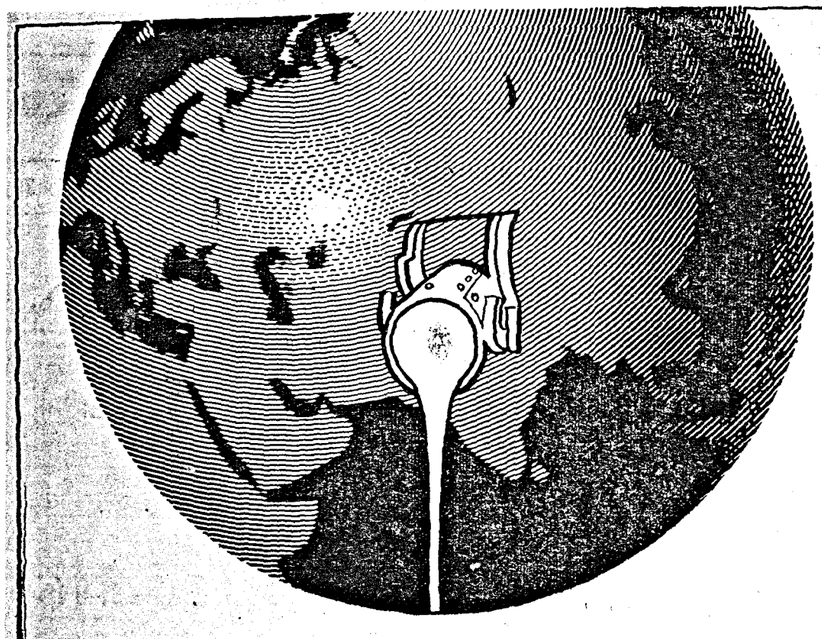
DMK SPLIT IN PERSPECTIVE

ECONOMIC GROWTH IN INDUSTRIAL SOCIETIES

WHEAT TRADE: RETURNED WITH THANKS

THE SEASON OF VIOLENCE

REVIEW OF AGRICULTURE



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ECONOMIC AND POLITICAL WEEKLY

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Form Is All

NOT even two years have elapsed since the government was bowled over by the idea of holding companies. The panacea for all troubles in the public sector, it was argued, was to integrate the different units in the same line of production under one big company, to accord the latter proper autonomy and to provide it with a general set of guidelines. Once this was done, output would pick up, unit costs would go down, marketing efficiency would improve, inventories would be rationalised and so on and so forth. Accordingly, the Steel Authority of India Limited was set up for integrating the activities of the four units operating under Hindustan Steel, Bokaro Steel and the sundry mini-steel plants coming up in different parts of the country. A chairman was imported from outside to preside over SAIL and was given the status of Secretary to the Government of India. Very soon, the part swallowed the whole; when the incumbent Secretary in the Ministry of Steel departed, the Chairman of SAIL was inducted as the full-fledged Secretary to the Ministry. This last step, according to a few, diluted considerably the original significance of SAIL, since one objective of the Authority was to insulate the units under it from excessive interference by the bureaucracy. Once the Chairman of SAIL was made Secretary to the Ministry, the bureaucracy in fact got embedded in the organisation itself.

Having taken the plunge, the government, one would have thought, would have the courage to pursue the task of reorganising the steel units to its logical conclusion. With the establishment of the Steel Authority, there was on the face of it little point in persisting with the organism of Hindustan Steel, which accordingly deserved to be wound up. A most peculiar reason was found for not doing so. If Hindustan Steel were disbanded, it was solemnly suggested, each of the production units would have to be recognised as separate corporate entities; since the gains of some could not any longer be set off against the losses of others, their total tax liability would rise, thus leaving them with so much less funds for ploughback. But this was essentially a matter of paper accounting; if the government had so willed, an alternative procedure could have been easily devised by which the predicament could have been saved for the HSL units and the rationalisation of the system carried a further step forward.

The basic reason for not dismantling Hindustan Steel must have been different, namely, the pressure and the counter-pressures operating upon the government and within the Ministry itself. Once Mohan Kumaramangalam was removed from the scene, uncertainties over the future arrangements for the Steel Authority and HSL, instead of diminishing, actually multiplied. Rumours began to flow freely that, in this matter, the views of the minister put in temporary charge of the affairs of the Ministry of Steel were altogether different from those of the Chairman of SAIL. The disbandment of the HSL, hitherto considered imminent, was not carried out during all these months. And now, with K D Malaviya's induction as Minister of Steel and Mines, instead of the HSL, it is the Steel Authority of India which seems to be in danger of emasculation. Inspired leaks to the Press have fed the story that the Minister considers the holding company to be unwieldy; there is apparently a proposal for breaking it up. In any case, the Minister has gone on record that the production units need to be given elbow room for independent initiative. The rationale of the decision to realign SAIL has not been shared with the public, nor have the latter been informed about the precise parcels into which it is proposed to be divided. What the fate of Hindustan Steel would be under the new dispensation has also been left in the dark.

This is an extraordinary situation. Even following the establishment of SAIL, none can claim that the production of steel in the country has at all improved. The factors which had impeded the rate of growth of the steel industry in the earlier years continued to be there. The reasons are obvious. The factors holding back the growth of steel output are not specific to the steel industry as such nor even to the public sector, but pertain to the general industrial and economic climate. They are external both to the steel industry and the public undertakings, and have to do with such things as the volume of investible funds available, the broad trends in industrial relations and the overall economic and political situation. Unless these are sorted out, there can hardly be any scope for raising the output of steel or, for that matter, of power or coal or heavy chemicals. While the basic issues are incapable of instant solution, Ministers perhaps find it politic to play diversionary games and shuffle and reshuffle structures and organisations. What is now being proposed for overhauling SAIL would, according to the Minister's statement,

be proposed in the case of the Coal Mines Authority as well. The rash may spread, and affect activities in other directions too. Every minister may turn out to be the propagator of some new managerial and organisational culture. None of them would, however, have much to contribute once the debate shifts to issues of content.

Wheat Trade

Returned with Thanks

A Correspondent writes :

IT was only a year ago that the government had taken over the wholesale trade in wheat. At that time this was seen as a major step to free the country's food economy from the clutches of the private trader whom the government charged with creating artificial shortages through hoarding and speculative activities. The take-over was pushed through in a hurry, without even the most elementary preparation, on the ground that if private trade was permitted to operate, the difficult food situation created by the failure of the kharif crop would be aggravated. Now apparently the government has an altogether different view of the role of private trade. It has been argued, in favour of handing back the wholesale trade in wheat to private traders, that the situation created by the meagre procurement in the last rabi and kharif seasons and the continued rise in prices of foodgrains required the government to enlist the help of private traders. Thus, from being an element which created and aggravated shortages through hoarding and speculative activities, private trade has been transformed into an ally which will bail the government and the country out of the difficulties on the food front.

The motions of debating and deciding upon the policy with regard to the wholesale trade in wheat were going through at the Chief Ministers' conference and the meeting of the National Food Advisory Council on March 12. However, the decision to abandon the take-over was taken and the modalities of its implementation were worked out really through discussions between the government and representatives of traders. It is significant that the government has by and large accepted the terms proposed by the Federation of All-India Foodgrain Dealers' Associations in its memorandum to the Prime Minister. The Federation had offered that the traders would hand over 50 per cent of their purchases in the surplus areas as a levy to the government at a price ranging between Rs 105 and Rs 110 per quintal. The government had been assured that in this manner the traders would deliver 5 to 6 mn tonnes of wheat to the Central pool. The rest they undertook to sell in the open market at Rs 1.60 per kg in any part of the country. If there has been any modification of these terms, it seems to have been in favour of the traders insofar as the government has chosen, perhaps realistically, not to pin down the trade to its commitment to sell wheat at Rs 1.60 per kg.

As an aside it may be noted that the retreat from the take-over of wholesale trade in wheat also marks a settling of scores between the Planning Commission and the Agricultural Prices Commission. It was the APC's grouse at the time of the take-over last year that the government had taken the decision without consulting it. Nor was the APC associated with the implementation of the take-over scheme. The government had plumped for the take-over largely on the advice of the Planning Commission, particularly the Planning Minister, D P Dhar. However, in its latest report on the price policy for the current rabi crop, the APC advised the government against taking on responsibility for operating an extended public distribution system. This advice, coming from a supposedly expert body, provided a timely cover for the government's decision to go back on the take-over of wheat trade. This time it was the Planning Commission which was left out in the cold. An ambitious public distribution system, covering not only foodgrains but also other items of mass consumption, has been accorded an important place in the Commission's strategy for insulating the Fifth Plan's investment programme from price increases. This supposedly important aspect of the Fifth Plan strategy has now been quite casually thrown overboard by the government. It is indicative of the current state of morale in the Planning Commission that this has not elicited so much as a squeak from it.

Basically, of course, both the Planning Commission and the APC have been irrelevant in the changes in the government's policies towards private trade in foodgrains. These have been achieved through systematic and sustained pressure by farmers and traders. The results of the activities of the farmer-trader lobby were visible in the discussions of the concerned Parliamentary Consultative Committee as well as at the meeting of the National Food Advisory Council. And at the Chief Ministers' conference the memorandum submitted by the foodgrain dealers is reported to have been the only document on the subject distributed for study.

All in all, the reversal of the take-over of wholesale trade in wheat must be seen as one of the clearest instances so far of the use of pressure tactics by an interest group to secure change of a major government policy. The achievement is the more remarkable because the group in question is a relatively large one, spread over many parts of the country and apparently not very tightly organised. The sabotaging of government procurement in the last rabi and kharif seasons and the consequent emasculation of the public distribution system and the continuous rise in prices in the so-called 'free' market had forced the take-over to be watered down through a series of relaxations in the different states long before the decisions to formally abandon the policy was announced. The government's refusal to extend the take-over to rice during the kharif season just over was itself an indication that it had lost its appetite for assuming larger responsibility for distribution of foodgrains. The announcement of the formal decision this week was therefore only for the record. What remains is the legacy of distortions in the distribution system and the significantly higher prices which provide private trade with an ideal base situation for its official re-entry into the wheat trade.

The opposition parties have failed once again to mobilise the people against the government's surrender to private trade. These parties find it far easier to get a hundred people killed in so-called agitations over non-issues than to systematically educate the people on, for instance the linkages between the government and rich farmers and traders and to mobilise them over issues such as the break-down of the public foodgrain distribution system and the rise in prices of the necessities of life. It is typical of the method of operation of even the so-called Leftist parties that just when the government was preparing to abandon the takeover of wheat trade, the CPI(M)-dominated All-India Kisan Sabha was passing a resolution urging the government to take over the trade in all foodgrains! Formal resolutions and speeches, in Parliament and outside, and other antics calculated to attract the attention of newspapers have become well accepted substitutes for mass organisation and action within these parties.

Industrial Finance

Chasing Figures

HOW is the performance of an industrial term-financing institution, such as the ICICI which has just released its annual report for 1973, to be judged? The figures of assistance in different forms, sanctioned and disbursed, are at best only slightly more revealing than, for instance, statistics of the number of industrial licences and letters of intent issued. And when investment costs have been going up as sharply as they have been recently, these figures are scarcely comparable from year to year.

The responsibility may be primarily that of the Planning Commission, the licensing authorities and other agencies of the government proper, but financial institutions too have some role in enforcing industrial priorities. In evaluation and selection of particular projects over others their role may be even preponderant. That is why development bankers, from Robert McNamara down, trade with ease in the jargon of project appraisal, social cost-benefit, and the like. However, very little of this concern is seen to be reflected in the actual operations of development banks.

The industry-wise distribution of the ICICI's assistance given in its annual report conveys no idea of the scheme of priorities, if any, it has followed in deploying its resources. The classification of industries is too broad for that. Thus what is one to make of the information that 'metals and metal products' accounted for 18.4 per cent of total assistance sanctioned by the ICICI upto the end of 1973 or that 'machinery manufacture (other than electrical)' accounted for 9.1 per cent and 'rubber products' for 3.6 per cent?

The unilluminating classification is, one fears, only the symptom. The disease which it reflects is that of believing that, at least in most cases, one need not look much beyond the pedigree of industrial proposals. This conviction is shared by all financial institutions, including the commercial banks. If a project has been mooted under the right auspices and has secured the necessary official permissions and clearances, the argument goes, then it is irrelevant for the financial institutions to bother about the relative priority to be assigned to it. True, the original sin may be that of the government, but this nevertheless constitutes abdication of responsibility by the financial institutions. Even where priorities cannot be pushed to the point of stark rejection of proposals, cannot the rate of interest at least be moved up and down? Must all comers — no application for assistance, the ICICI's report for 1973 informs us, was rejected during the year — be served up funds, including foreign exchange, at the same unvarying interest rate?

The same unconcern with policies is manifest in other directions as well. According to the Chairman of the ICICI, the term-financing institutions "have taken up an active programme of developing and financing new projects, promoting new entrepreneurs and joint sector projects and financing projects in backward regions". The Dutt Committee had showed how large industrial houses had got away with a disproportionate share of assistance extended by all the three all-India term-financing bodies. Has there been any change in this respect? The ICICI's annual report is silent on the subject. In fact, a cursory scrutiny of the list of companies financed suggests continuance of the preponderance of large and established industrial groups.

With regard to the joint sector, the information is provided that the ICICI "has already provided assistance of more than Rs 23 crores to joint sector projects, many of them jointly with various state Industrial Development Corporations". In the ICICI's view, the joint sector is a device "to combine the financial resources of the State with the managerial expertise available in the private sector". But in this sense the joint sector has always been there, since the government and public sector institutions have, in one form or the other, provided a large part of the funds to finance industrial projects the managements of which have been completely in the hands of the private sector. More recently, the joint sector label and association with state Industrial Development Corporations have been used by private entrepreneurs, especially the large houses, to smoothen the flow of various government sanctions and favours and to camouflage their entry into areas from which, in terms of the government's formal policies, they are barred.

The joint sector is worth talking about only if it is seen as a device to give the government a larger share in the management of the enterprises, in keeping with its financial contribution to them. A related policy instrument is that of the conversion of loans given by financial institutions into equity. To what extent and purpose has the so-called 'conversion clause' been used? There is conspicuous silence on this subject as well in the ICICI's report.

As for the objective of promoting industry in backward regions, just four states — Maharashtra (34.3 per cent), Gujarat (13.1 per cent), Tamil Nadu (11 per cent) and West Bengal (7 per cent) — account for two-thirds of all assistance sanctioned by the ICICI till the end of 1973. (Incidentally, it is not quite clear whether the state-wise classification of assistance is according to the registration of companies or location of plants. If it is the former, then the data are virtually meaningless.) That there are backward areas in even these four states — after all, practically the whole country may be considered backward — can scarcely justify the all-India financial institutions' preoccupation with them.

There is, we are told, growing coordination among the all-India term-financing institutions. However, this does not seem to have led to consideration, let alone formulation, of policies on any of the major issues referred to above. The pattern of financing of industrial projects is one other such issue. Should the financial institutions bear as much as 60 per cent or even more of the cost of the projects they assist? According to the ICICI's annual report, of the total cost of Rs 222 crores of the projects financed by the ICICI in 1973, Rs 113 crores were to be financed by long-term loans and debentures. Even in the share capital of Rs 59 crores, the term-financing institutions would have a share. Besides, there would be term-finance contributions by the commercial banks.

What justification is there for this pattern of financing of industrial investment in the private sector? Even if one sees nothing at all wrong in the building up of private industrial empires

with public funds, should not pure free enterprise concern for the growth of the capital market dictate pushing project promoters, especially the established ones, to rely more on equity?

Petroleum

Not All Roses

THE Indian subsidiary of the world's largest oil company has now come under government management. The President has given his assent to the Esso (Acquisition of Undertakings in India) Bill 1974. The agreement between Esso and the Government of India, providing for the immediate take-over of 74 per cent of Esso's equity by the latter and its extension to 100 per cent at the end of a seven-year period has also been signed. This move has been hailed in Parliament, the Press and elsewhere as being of "historic significance", as a "major breakthrough" in the government's oil policy and as a great step in "the country's advance towards socialism".

Esso's proposal to the government for take-over of its assets and operations in India was submitted about 18 months ago. After protracted negotiations, an announcement was made in January 1974 that agreement had been reached between the government and the company. Events moved rapidly after that; the Esso Bill was introduced in the Lok Sabha on February 26 and in about two weeks it had been passed by both Houses and had received Presidential asset. Such criticism of the government's action as has been voiced has been on the ground that the compensation to be paid to Esso is too generous. There has also been some criticism of the government's reluctance to publish the details of the agreement.

As far as can be judged from newspaper reports, the essential aspects of the agreement are as follows:

(a) The 100 per cent foreign ownership of Esso refining and marketing enterprises in India will be reduced to 26 per cent immediately and to nil in 1980. The current 50 per cent foreign ownership of Lube India (a joint undertaking of Esso with the Government of India) will also be similarly reduced.

(b) The compensation payable to Esso for the acquisition of its equity (74 per cent now and the balance in 1980) will be a total of Rs 18 crores. This amount would be paid in six equal annual instalments commencing from 1975.

(c) Interest at 6.5 per cent per annum would be payable on the outstanding balance of the above amount. A total amount of Rs 4 crores has been mentioned under this head.

(d) With the immediate acquisition of 74 per cent of Esso's equity, the dividend remittances by the company's refining and marketing enterprises would be reduced to 26 per cent of what they would have been otherwise. The remittances by Lube India will also be nearly halved. This would be the position from 1974 to 1980. With the acquisition of 100 per cent of Esso in 1980, dividend remittances will cease altogether. An amount of Rs 2 crores has been mentioned as the outgo under this head from 1974 to 1980. (This seems to be an under-estimate since, according to the Finance Ministry, Esso would have repatriated at least Rs 27.2 crores during the next seven years had it not been taken over.)

If these figures are accepted as correct, i e, repatriation of Rs 27.2 crores over the 7-year period if Esso were not taken over and, alternatively, a total repatriation of Rs 24 crores as a result of its take-over, even during this period there will be a net saving in foreign exchange outgo of over Rs 3 crores. Of course, after 1980 there will be no remittances at all.

The agreement with Esso brings out the complete change in the crude supply situation. Earlier, it used to be held that what was most important from the country's point of view was to deny the foreign oil companies operating in India the right to buy crude from sources of their choice. This, it was thought, would enable the country to buy crude at a cheaper price than that at which the oil companies were getting their supplies. By contrast, in the agreement now signed with Esso, it is the government which was apparently anxious to bind the company to supplying crude at least for some years. The company has agreed to supply crude oil to the refinery at the rate of 2.75 mn tonnes per year for the first three years and at half that rate for the following four years. How the final balance-sheet of the take-over of Esso will look will therefore depend on the government's ability to buy crude oil at prices comparable to those at which Esso would have been able to secure it. So far, the government has generally had to pay more, sometimes substantially more, for its crude than the foreign oil companies. Newspaper reports suggest that under the agreement signed with Iraq this week, the 2.8 mn tonnes of Iraqi crude to be imported this year is going to cost India $ 10.86 per barrel, $ 5.86 of which will have to be paid in cash and $ 5 will be adjusted against the $ 110 mn credit extended by Iraq. This is very much higher than the price which the oil companies are currently charging. The oil producing countries maintain that the oil companies have been charging an artificially low price for crude. These countries, while they may offer credit liberally for purchase of their crude, are therefore likely to price the crude they sell higher than the oil companies. Thus in its search for crude oil, the government will have to look beyond the governments of the oil producing countries.

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

Who Is Anti-People?

Romesh Thapar

WHAT goes on is very puzzling. Prices are rising almost every week. Food is no longer available at ration shops over large parts of the country. There are minor battles at milk queues, where there are queues. Buses are hijacked by angry students unable to get a seat. Coal is not reaching the power stations, industrial establishments, and even the railway depots themselves. A strike fever is building in critical areas of the economy and no one moves to settle or crush these confrontations. Whenever these issues are debated in Parliament, there are scuffles, fisticuffs and what have you. And now the people in the towns are taking the law into their own hands. Headed by students and teachers, they have toppled the government of Gujarat and seem to be moving to do likewise in Bihar, albeit a little more ferociously, a little more crudely, because political parties are taking a more active role.

The flames of revolt are being fanned by many disgruntled elements in the sick politics of India, but the revolt carries a certain passion which we have not witnessed during the past twenty-five years of freedom. Actually, there is flavour of the long forgotten tempest of the freedom struggles of the thirties and forties — and even then Gujarat and Bihar were the experimental grounds for mass action. The country watches in a kind of stupor. Today, riots shatter towns. Tomorrow, the fear is that cities will be sacked. There is a refusal to believe that we are going the way of bloodshed and anarchy. The killings are startling, either a pointer to the panic among the forces of law and order or a commentary on the inefficiencies of our administration. We are assured that it is the "fascists" — the Jan Sanghis, the RSS, the Anand Margis and the formations of the extreme Left — who have declared war on our system of democratic functioning. But since when did we come to the conclusion that anything like "fascism" lives in India? And how do we reconcile the strange marriage between the extreme Right and the extreme Left as "fascism"? We are more than puzzled. We are bewildered. And, naturally, there is a great debate going on about what causes these strange happenings and whether we have to get used to the idea of living with chaos.

We turn to "our leaders". They all talk the same kind of clap-trap, the same kind of meaningless, contrary mumbo-jumbo. We turn to the governments at the Centre and the states. We see no confidence stirring to confront the problems which are rising all around us. We turn to the Union Cabinet, and discover that during the past year this august body has not bothered to discuss the Bharatiya situation. Fortunate are those who can take to *sanyas*. Most of us have to live in the horrible mess that is our India.

No, the peasants do not feel it just now. They have always lived on bare levels of subsistence, and the food today is for once in the rural areas. But they, too, will start reacting when they realise that electric and diesel power to get at the water under the ground and to turn their machines will not be available, and that the vistas of "Garibi Hatao" are no longer visible.

The entire nation, whether we like it or not, is certainly drifting to perdition and has been so drifting for the past year. Why do Indira Gandhi's geniuses not see this? Ask them. They now command a wide variety of expertise. Or are they not listened to? Surely, we, the poor voters, have a right to know. A resignation here or there is not enough to suggest that there is a bankruptcy or paralysis of political will. Who is going to tear the mask of make-belief. Indira Gandhi? Her ministers or minions? Her bureaucrats? Her lieutenants, whatever that may mean? Where does responsibility for the next step lie? With the "fascists", with those who take to the streets, with those "progressives" who are systematically disrupting our railway system and the vital supplies it carries, with the engineers, the doctors, the sweepers and what have you?

Who must act? Pause, and ask yourself this question. Think over it. Action must be on a scale that it will discipline the anarchy that is now overtaking this land despite the day-dreams and opiates of All-India Radio. Let's not refer to television; it is just a middle class titillator — expensive, but little else. Yes, pose this question to yourself. You will be nonplussed. Indira Gandhi cannot act because she will have to destroy her closest collaborators who have destroyed the credibility of the ruling party. If she cannot act, who can? Certainly not the President. He gave up these pretences ages ago.

So ... the people, whoever they are, "fascist", "progressive", moronic and otherwise, will continue to act, to turn themselves into threats, to force action in piddling doses. Tragic. Indeed, more than tragic. We are at the mercy of a situation which at this moment appears incapable of correction. The point of no return was crossed sometime ago. Now what? We cannot return to the good old days because too many heads will have to fall. We will, nevertheless, have to move forward, *via* turbulence and disorder, to evolve a new path, new political forms, to carry out the corrections, to re-establish normal disciplines and to make work a permanent task, honest work, not the cynical, corrupt operation which drowns us today. We will have to act for this in various ways, and then ask: who is anti-people? There is no other way. Maybe then, the jigsaw will begin to resolve. Who is going to be "anti-people"? Who is going to set the style? Excuse this "thought process". We are living in exciting times. The only trouble is that not enough people are exciting themselves. They could, you know ...

March 25

Ramacast

RAMACAST, an existing company having a cast iron foundry at Motihari in East Champaran district of Bihar with a capacity of 12,000 tonnes per annum, is diversifying into manufacture of ingot moulds and bottom plates required for the production of steel. The project, estimated to cost Rs 75 lakhs, is expected to go into production by September or October next. The company is making a public issue of equity capital of Rs 25 lakhs in shares of Rs 10 each at par to raise part of the finance required for the project. The subcription list will open on April 8 and close on April 18 or earlier, but not earlier than April 11. Technical know-how is being provided by Tata Consultancy Services. The factory will have initially a capacity of 11,000 tonnes with built-in provision to set up production to 20,000 tonnes with a marginal additional investment.

Calcutta Diary

A M

ONE rages, helplessly, against the dying of the day. Buddhadeva Bose could not make it. During the past few years, he had been scrounging for money, some extra money which would see his household through while he resumed his magnificent opus on the *Mahabharata*. The annotation of the epic was turning out to be the quintessence of his creative genius. The once-and-past *enfant terrible* of Bengali literature had entered the zone of tranquillity: yesterday's stormy petrel was almost unrecognisable. These pieces on the *Mahabharata* were poetry and philosophy rolled in one; their chiselled prose had a severe beauty; their canvas bore witness to an overwhelming imagination.

But there it was. This man had remained, over the span of nearly half a century, a compleat *litterateur*. Literature was, to him, much more than passion; it was faith, his only allegiance. It still failed to ensure for him a reasonably comfortable livelihood — despite his having something like one hundred fifty-and-odd volumes to his credit. If you leave out Tagore, none else in Bengali literature has covered the total spectrum in the manner he did: you begin with poetry, and go on to list short stories, novels, essays, literary criticism, plays, travelogues, *belles-lettres*, children's tales, nursery rhymes, and translations — not to mention his great contributions as editor. But money was always short. This is a much reduced Bengal, and in more senses than one. With the splitting of the country, the market for Bengali literary output has in any case shrunk.

An even more basic factor has been at work. Buddhadeva Bose was a punctilious writer. He was finicky not only about the words he used to sculpt, but also about how his volumes were produced, and under what auspices. However, quality is a forgotten premise in a milieu where hucksters have invaded literature. Finance capital conquers all that it surveys; the industry of literature, too, has been taken over by it. Unless you are prepared to act as a lackey to one or other of the newspaper combines, your livelihood is in danger. Literary success is now a derivative of propagation. Your volumes sell only if one of the leading newspaper establishments is prepared to act as your patron, not otherwise. In case it condescends to do so, it is roses all the way: sales of your works begin to climb, and newspapers underwrite your victuals.

In his years of innocence, Buddhadeva Bose, the great fundamentalist who would never compromise on standards, used to make gentle fun of those ensnared by the newspaper chains and writing for dubious journals brought out by the latter. Yet, by the time he died, the wheel had come full circle. He had to turn for his daily bread to persons whom he used to detest — the vulgarians of the newspaper world, the unscrupulous lot who could not care less about literary ethics. Fundamentalism was given a quiet burial. Buddhadeva Bose had to compromise; it was, as they say, an arrangement. He tolerated them, put up with their whims and obscenities, humoured them; in return, they saw to it that he did not quite starve. But just about. In the system as it has emerged, hangers-on are kept on short leash. Buddhadeva Bose was aware that he was racing against time. The first part of the tract on the *Mahabharata* was ready. He had collected the notes and references for the second part, which, he had no doubt, woud be his proudest contribution to Bengali letters. He needed an uninterrupted spell of one or two years for this round of writing. He must, therefore, make adequate financial provision for that period: the wolf must be kept at bay while the personages from the *Mahabharata* — with their grandeur and their pettifogging, their majesty and their meanness — were being assembled and analysed.

A man with more than one hundred and fifty not altogether inconsequential volumes to his credit, a man whose commitment and integrity were beyond question, should not, one would have thought, have to worry in the twilight of his career about money matters. That was not to be. The government was not moved. The newspaper combines, currently the supreme arbiters of literary judgment, paid him what can only be described as bare sustenance. Therefore, the man, till his very last day, kept churning out pot-boilers, even for disreputable cinema magazines, in the hope that he could chalk up some savings on which to subsist during the writing of the final part of the *Mahabharata* commentary. The home stretch eluded him. He collapsed and died before the money could be in.

This, in a way, epitomises the objective reality of the times. Illiterate politicians of assorted hues, and those who hover in their proximity, make pots of money. Through their shady deals, they collect in the course of a single month perhaps as much as Buddhadeva Bose could earn in ten years. Journalists, who cannot get the syntax right for even a single sentence, belong to this side of the establishment; there is no dearth of the appurtenances of good living for them. Characters belonging to the underworld, whose only creative talent is the throwing of the knife, nonchalantly splash crisp hundred rupee notes; don't ask how they come to their funds. But Buddhadeva Bose was unable to put together some puny savings which could last him while the tract on the *Mahabharata* was being completed.

A matter of some irony, Buddhadeva Bose did not realise, and therefore failed to grapple with, the fate which overtook him. For the past thirty years or thereabouts, he was a great one for 'cultural' freedom. A gullible person, given to instant emotions, he fell into the trap set for him by professional communist-baiters. The alleged inequities rendered toward writers and artists in the socialist countries would enrage him. He would work up a passion, write indignant articles, snap links with friends who were across the barricade. The tribulations of a Boris Pasternak or an Aleksandr Solzhenitsyn would exercise him for days on end. There was this curious myopia, he would miss the longer significance of more proximate things. In the society where he lived and worked, opportunities were scandalously unevenly distributed, including those which came the way of writers and artists. He himself had to be deferential to eleventh-rate journalists, because they belonged to newspaper combines, who possessed the assets and could ordain some extra income for him. While he got excited over the abstract concept of freedom, he went on missing the relevant clue: Freedom is not an independent variable, it is a function of the distribution of wealth. A man, be he a poet or a novelist, who is unable to provide for himself and his family, is not free. He is not free to write what he wants to write. A substantial part of his time has to be set aside to write pot-boilers or to humour the agents of finance-capital, and his great ambitions have to be postponed. This was so with Buddhadeva Bose, and will be so with other writers; because, irrespective of the label by which you describe your milieu, till as long as it does not ensure your food and clothing, there can be no free writing on your part.

Since Tagore, there has been no greater talent in Bengali literature. Others have written better poetry. Manik Bandyopadhyay was a noble writer of fiction, a natural genius, who composed what is perhaps the greatest novel in the language. Yet others have written essays which, in depth and purposiveness, possibly surpass most of Buddhadeva Bose's efforts. There are others too, whose incisiveness in literary criticism may have outstripped Buddhadeva Bose's. And certainly, in this neighbourhood, there have been more competent playwrights. If you consider all aspects together, however, and also take into account his magnificent role as editor and catalyst of literary urges, his position is *non pareil*. Nevertheless, in the system of which we are all prisoners, he was denied decent minimum wages.

He would not have agreed that the answer to the predicament lies in the writers joining the barricade. Man is free, the writer too is free, free to choose. Buddhadeva Bose chose. He chose to cast his vote against those who were for a social revolution; in his later years he railed against them, and with gusto.

The manner of his dying proved, if any proof was ever needed, that he had picked on the wrong target. Now that he is safely dead, even his death has become an occasion for brazen commercial exploitation by capitalist-publishers who monopolise the Bengali literary trade. This is outrageous, for it is they who killed Buddhadeva Bose. By their perversity and self-aggrandisement, they have pushed literary standards down to a filthy nadir, so much so that writers like him had no chance of an assured market — and were, therefore, reduced to scrounging for food. Assassins all, they have now the cheek to appropriate for themselves the mantle of principal mourners. Even as others still rage against the dying of the day.

COMPANIES

Cost No Bar

Hansavivek

MAHINDRA AND MAHINDRA, with better cash generation than originally estimated, is holding in abeyance the earlier proposal to make a rights issue of equity shares of Rs 110 lakhs and 9.5 per cent redeemable preference shares of Rs 100 lakhs to raise a part of the finance required for carrying out the next phase of expansion. The company has an industrial licence to expand its annual capacity to 25,000 vehicles. The scheme is to be implemented in the next 4 to 5 years. It is now proposed to make a public offer of one lakh redeemable cumulative preference shares of Rs 100 each carrying dividend at 9.8 per cent per annum. The company has approached IDBI, ICICI, LIC, and UTI for financial assistance in the form of term loans/subscription to privately placed debentures to the extent of Rs 300 lakhs. The financial institutions have laid down a condition that they will have an option to convert a part of the loans/debentures, not exceeding in the aggregate Rs 67.5 lakhs, into fully paid up equity shares of the company of the face value of Rs 45 lakhs — that is, at a premium of Rs 5 per Rs 10 share. The option will be exercisable during April 1975 to March 1977.

Meanwhile to make efficient use of available resources, separate units are being formed for Jeep assembly, truck assembly, foundry, engine and transmission and axles. A new facility for assembly of station wagons and trucks is intended to be created at Nasik. This should be in operation by the beginning of 1976, when production capacity will have reached 18,000 vehicles per annum. The activities of the instruments division at Calcutta are proposed to be housed in a larger plant to meet the increasing demand. Because of delays in the receipt of 'letters of intent' and industrial licences for the various projects, the electronics division has been largely confined to manufacture of a variety of defence equipment. At Nasik, where the principal electronics factories are located, construction of the factory buildings is nearing completion and erection of indigenous equipment for manufacture of capacitors is in hand. The research and development unit has been making efforts to improve the reliability of the engine and other parts required for the automotive division. The directors expect to introduce engineering changes in the vehicles well before the end of the current year which will bring about substantial saving in fuel consumption. A wide range of defence equipment and industrial control and electro-medical equipment has been developed.

During 1972-73, the company further increased production from 13,504 vehicles to 14,216, as against the installed capacity of 12,500 numbers. With a bigger contribution from all the divisions, the company's income and profits increased considerably. Despite increases in costs, margins looked up. The ratios of inventories and wages to sales were slightly lower compared to the previous year. Dividend, stepped up 1.5 per cent to 1 per cent, was well covered by earnings. Exports advanced from Rs 118 lakhs to Rs 233 lakhs. In addition to export of vehicles to Bangladesh and Sri Lanka, supplies were made against orders received from UNICEF. An order has been secured from New Zealand for ckd vehicles. The electronics division has begun in a modest way to export to Australia and is exploring other markets. The company expects to shortly finalise the revised terms and conditions of the rate contract for the supply of Jeep vehicles to the Government of India. During the first four months of the current year, the company produced and sold 4,357 and 3,799 vehicles against 4,500 and 4,136, respectively, in the corresponding period last year.

BINNY has shown substantially better results, with increased sales, margins and profits. The profit, together with a writeback of Rs 96 lakhs from the general reserve, has enabled the company to wipe off the loss of Rs 283 lakhs brought forward from the previous year and to clear arrears of dividends on preference capital for 1971 and 1972 as also to pay the dividend for 1973. The improved results have occurred, following better performance by the two mills of the textile division. What really helped the company was the rehabilitation of the old equipment, reorganisation of the marketing department and other measures taken over the past two years. The Bangalore mills were well covered for wool, but prices were "prohibitive". The management sees no indication yet of any decline in wool prices in the current year. Throughout the year, the mills were

obliged to supply controlled cloth to the extent of 10 per cent of production at prices fixed in 1968. The management points out that this obligation bears "unduly harsh" on coarse mills as compared to fine and superfine mills.

Exports in 1973 amounted to Rs 272 lakhs as against Rs 183 lakhs in the previous year and the outlook for the current year is considered better. The garment factory was operated during the latter part of the year, essentially to fulfil the company's export obligation. The engineering and agency department had an initial setback in jute, rope and paints on account of the power-cut in south India, but there was improvement in business after the power-cut was relaxed. Ten new agencies were secured last year. The Bontex department was seriously affected by short supply of yarn, because of the power-cut in Tamil Nadu and the distribution and price controls imposed by the Central government. In the engineering division, the Madras works had to shut down the electric furnace on account of a 75 per cent power-cut in the first half of the year. Sales of the rice mills were also not satisfactory due to power-cut in most of the paddy growing areas in the country and because of the delay in the announcement of government policy on the procurement and milling of paddy. The current year according to the directors, threatens to be one of abnormal inflation and shortages of various inputs with little or no control over their prices. The critical position of furnace oil is also a serious threat to the Bangalore mills. A strike in the B and C Mills, which commenced on February 1, will seriously affect profits.

SIRSILK showed a minor improvement in the year ended September 1972 and, as in the previous year, the entire trading profit was utilised to reduce the accumulated deficit, which now stands at Rs 7 lakhs. Once again, nothing has been provided even for depreciation; arrears on this account have mounted to Rs 304 lakhs. Besides, arrears of dividends on preference capital have increased to Rs 229 lakhs. Also, no provision has been made against the future liability of gratuity to employees, estimated at Rs 43 lakhs. Production of rayon yarn and staple fibre edged up from 1,952 tonnes to 2,015 tonnes, but the overall production of fabrics declined from 59 lakh metres to 51 lakh metres. Production of acetate yarn and staple fibre was restricted on account of inadequate supply of alcohol and the power-cut. The company received only about 22 lakh litres of alcohol against allotments made by the state government, whereas its requirement is about 63 lakh litres per annum. The shortfall had to be made up by purchases of acetic acid from the market at a higher cost. Costs of other raw materials also increased.

The supply position of alcohol during the current year is likely to further deteriorate on account of the growing demand for diverse uses and the market price has already shot up. The company has been informed by Herdillia Chemicals, with whom it has an agreement, that due to cut in the supply of furnace oil the supply of acetone would be proportionately reduced. The company complains that there is no prospect of meeting the requirement from any other source and that its own acetone plant has been lying idle owing to short supply of alcohol. In addition, the supply position of coal has deteriorated. All these adverse factors are likely to tell on performance during the current year. The directors, however, feel that improved market conditions will enable the company to show better results.

The Week's Companies

(Rs in Lakhs)

	Mahindra and Mahindra		Binny		Sirsilk	
	Latest Year 31-10-73	Last Year 31-10-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 30-9-73	Last Year 30-9-72
Paid-up Capital	472	478	706	706	302	302
Reserves	583	477	378	242	3	—
Borrowings	1080	942	599	620	310	302
of which Term borrowings	362	378	284	316	—	—
Gross fixed assets	1313	1055	2883	2772	782	772
Net fixed assets	959	787	931	960	514	507
Investments	252	252	24	28	—	—
Current liabilities	1188	1084	2005	2324	232	246
Current assets	2111	1941	2733	2797	333	326
Stocks	1187	1156	1767	1846	174	174
Book debts	890	762	940	920	136	147
Net sales	4432	4102	5576	4999	537	499
Other income	180	138	145	124	7	7
Raw material costs	2900	2722	1918	1869	107	95
Wages	696	647	1295	1066	119	115
Interest	130	126	182	172	18	17
Gross profit (+)/loss(—)	408	316	352	273	19	11
Depreciation provision	122	87	127	124	—	—
Tax provision	108	62	—	—	—	—
Net profit (+)/loss(—)	178	167	225	149	—	—
Development rebate provision	6	3	23	7	—	—
Transfer to reserves	107	106	—	—	—	—
Dividend						
Amount	P 3 E 62	3 55	P 8	—	—	—
Rate (per cent)	P 7.80&8.45	7.80&8.45	P 9.75	—	—	—
Cover (times)	E 14	12.50				
Ratios (per cent)	2.72	2.93	—	—	—	—
Gross profit/sales	9.21	7.70	6.31	5.46	3.33	2.21
Net profit/capital employed	8.34	8.80	13.37	9.50	—	—
Inventories/sales	27.01	28.18	31.68	36.92	22.16	34.87
Wages/sales	15.70	15.77	23.22	21.33	22.06	24.03

The Importance of Diego Garcia

G P Deshpande

IT was perhaps Walter Lippmann who once opined that clinging to the Asian mainland, as the Americans were doing in Vietnam, was the most disastrous course for American foreign policy to follow. A bloody war in Vietnam and over a hundred and fifty thousand casualties have taught the Americans a useful lesson that it is not particularly necessary to cling to the Asian mainland. Control of the seas was enough. The recent British decision to let Americans build a base on Diego Garcia — an island in south-central Indian Ocean — is a part of this new strategy. It is not exactly new. A super power like the United States always had substantial interests in the Pacific and the Atlantic. Now attention is focused on their interests in the Indian Ocean. But basically it is the good old principle: no area can be out of bounds for the super powers. Other people can go on expressing the pious hope that the oceans should be zones of peace. Probably they will be and the peace will be properly supervised by the super powers. What is more, the peace jointly supervised by the two super powers generally has very high chances of being a 'durable' peace. If that is what the littoral states wanted, the Americans would argue, the base in Diego Garcia gives it to them. To reinforce this peace, the Russians will have to be around. With some 'helpful states' around, to borrow Brezhnev's phrase, that should not be very difficult.

It is, indeed, misleading to suggest that it is the character of the base or the installations on it make a particular base a threat to security. The crucial question is what constitutes a threat to security and to whom. In other words, the question is above all political. The littoral states which are expressing their anxiety over American activities in or originating from Diego Garcia will have first to enquire whether the Americans would want to threaten them and, if so, why.

The remarkable thing about the Diego Garcia debate in this country is that nobody has bothered to ask this question. Why would the Americans want to threaten the regimes in any of the littoral states? It is really hard to find an answer to this question. To put it more pointedly, the question is why the Americans would want to put the security of India in jeopardy. When SEATO was formed in the early fifties, it constituted a threat to India. India then advocated a doctrine of non-alignment which in many respects did not accord well with the American view of the world. But it would be really difficult to see our non-alignment today as constituting any serious threat to American interests in the area. Our occasional anti-Americanism notwithstanding, we are not an anti-American power and the Americans know it. This is true of most of the other littoral states.

In short, the Indian Ocean elite, if such a term could be used, is not out to create a new world order. It wants instead to live in and benefit from the present world order. The base on Diego Garcia would, if anything, be of tremendous assistance to them in case of need. The threats to security in most Asian countries come from within. In this situation, it is not altogether unhelpful to have a friendly super power waiting in the wings. Thus its presence may not be totally unwelcome. In fact, it is inherent in the logic of dependency that the elites would be on surer ground if the waters are well policed. It is necessary to ensure that the waters do not overwhelm the ground! Ambassador Moynihan was absolutely right when he stated that the Indian Ocean could well have been named after Madagascar. His point (the one he later denied having made) was simple: whether it is India or Madagascar nobody had anything to fear from the Diego Garcia base. If anything, it could be useful to them.

What then explains the furore over Diego Garcia? Angry noises have been made over the Anglo-American deal. A part of the explanation lies simply in the hangover from the days of Nehru. Most of us are prone to think that non-alignment retains much of its original content. We do not like to believe that it has become such a hollow concept. Once 'non-alignment' is taken to mean what it originally meant, then it becomes a case of simple mechanical logic. Attack the bases — and so on.

However, that is only a part of the story. There are not many now who have a strong nostalgia for the Nehru era. One suspects that the debate may ultimately lead to a rationalisation of the increased naval presence in the Indian Ocean of the other super power. In normal course increased Soviet activity along the Indian coasts would have been rather hard to justify. It may be made increasingly less so — thanks to Diego Garcia. After all, so the argument would run, we require somebody around as a countervailing power to the US. And this somebody can be only the Soviet Union. The "fishing facilities" — a very useful term in naval parlance — could expand in their scope. Briefly put, the debate will eventually lead towards augmentation of Soviet strength in this area. The Americans will probably have very little to lose from such a development. We, for our part, would have the satisfaction that there are enough socialist vessels around in the Indian Ocean to offset the imperialist vessels.

The significance of Diego Garcia is, however, not limited to the super powers alone. It has some clear implications for the military machines of the littoral states as well. The army and the air force were getting their share of the ever increasing defence expenditure in these states. The navy was, however, left out. It did not get its proportion. This phenomenon is, in a way, global. Ever since the Second World War the navies have felt a little ignored as compared to the armies and the air forces. It seems that it is their turn now to grab as much as they possibly can of government expenditure on defence. Defence budgets can always be expanded provided there is a good enough argument about threats to security. The oceans are now providing the necessary argument. The seventies are going to be a decade of the navy. No costs are too prohibitive when it comes to the security of the states. The Diego Garcia debate will not, of course, result in any rethinking in Pentagon. But it will surely result in increased allocations for the navy in the littoral states. Long live Diego Garcia! Down with American Imperialism!

The problem that Diego Garcia has posed is thus likely to remain untackled. The crux of the matter is that the so-called high seas in this era of naval expansion are going to be less free than ever. The strategy in the circumstances will have to be one of *extending* the territorial waters as much as possible. Before long the seas south of

China will be virtually a lake shared by Malaysia, Thailand, the Indo-Chinese States, Indonesia and China. Indian Ocean cannot obviously be a lake. But the least we can do is to see very clearly the need to extend our territorial waters, if need be, to two hundred miles as some Latin American countries have done. Diego Garcia is just not another base. It is a reassertion of super power sovereignty over the world and its waters. The way to meet this situation is not to ask them to go back because they simply would not, but to try and extend our sovereignty as much as we possibly can.

WEST BENGAL

Unquiet Crisis and Quiet CPI(M)

A FULL-PAGE advertisement in Calcutta newspapers, issued by the West Bengal government to mark the completion of the second year of the Siddhartha Ray ministry, has quoted copious statistics in detailing the ministry's achievements. Considering the tidy sum of tax-payers' money that must have been spent on this public relation exercise, it is more likely to influence the increasingly critical Press than to impress the newspaper readers.

While the advertisement claims credit for the government's achievements in expanding electrification, public health, transportation and educational and other facilities and services, the people of this state cannot recall a period of greater suffering in living memory, except perhaps the terrible happenings of the Bengal famine of 1943 or the Great Calcutta Killings of 1946. The state has been pushed back literally into a dark age because of loadsheddings by the power supply agencies on the one hand and the acute shortage of kerosene on the other. Large areas in cities, towns and villages are now regularly plunged into darkness for hours together, sometimes up to midnight; even hospitals are not spared. The acuteness of the power shortage can be gauged from the fact that the British-owned Calcutta Electric Supply Corporation decided to announce that even the residence of the top boss of the Corporation in an exclusive Calcutta locality had not been spared from the ordeal of darkness. Industrial complexes in the Greater Calcutta and Asansol-Durgapur areas have been thrown off gear and forced to resort to layoff and closure. Small units are tottering on the verge of extinction. Even water supply and railway transport have been hard hit by the power famine.

As regards public health and sanitation, the municipal services, now mostly under the state government's administration as a result of the supersession of the elected bodies on petty party considerations, are starved of funds and corroded by corruption and have been allowed to reach a state of near-total breakdown. Heaps of stinking garbage have become the hallmark of their normal functioning. The six-week old strike of municipal workers of Howrah — a city of nearly a million — has turned it into a veritable hell. Originally designed by the British rulers as a 'coolie' settlement for servicing the railway terminus and jute mills, Howrah with its open drains and service privies, is even in normal times one extensive and unmitigated dungheap. Following the total stoppage of all scavenging services the whole city has turned into a stinking pool of nightsoil and the overflowing surface drains have flooded the city streets and adjoining houses.

The utter inadequacy of hospital facilities is normally manifested in the milling crowds before the out-patients departments and the overcrowded wards with patients lying on the floor and in the passages in every hospital of the state. Even this apology for medical services has been totally suspended as a result of the long-drawn strike of doctors in government hospitals.

Coming to transportation, the depleted fleet of overaged state transport buses, badly maintained by a corrupt administration and subject to frequent breakdowns on the road, are frequently garaged as a result of infightings among Congress leaders of the employees' union. There are strikes every now and then by the private bus and taxi operators, accompanied by increasing breakdowns of suburban train services on account of mechanical faults, power failure, theft of overhead wires or signalling equipment. Train services are further dislocated by work-to-rule or go-slow agitations by locomen or guards or some other sections of the railway staff. All in all, the extremely inadequate communication facilities in the vast metropolitan complex that is Greater Calcutta have been thoroughly disrupted. The outbursts of popular anger leading to damage and destruction of railway property in and around Calcutta and police violence such as that against a crowd of thousands of passengers waiting at the Sealdah railway station in Calcutta the other day are the clearest indications of the real state of the mass transit system in this part of the country.

As regards the educational facilities, the bunglings of the Secondary Education Board beggar description. Every year thousands of innocent examinees fall victims to its utter inefficiency, nepotism and corruption. This year on the eve of the Higher Secondary examination, the Board's Chairman, backed by the Education Department and the Congress rulers, provoked the employees into an agitation and then locked them out. Upto the eleventh hour, there was no certainty if the examination would be held on the scheduled dates. Then it was announced in the Press that admission cards for the examination had been posted and those who did not receive their cards in time would be allowed to sit for the examination if identified by the Head Masters of their schools. Many examinees received their admission cards with wrong entries. Every year, even with the machinery of the Board functioning normally, bundles of examination papers get lost in transit from the examination halls to the examiners' addresses. With the Board office still locked out, one can only wonder what will happen this year.

Against this background of all-engulfing crisis, with the members of the the ruling party solely occupied with infighting, involving murders of and murderous assaults on one another, with the Chief Minister and a veteran ex-Minister, Bejoy Singh Nahar, engaged in a slanging match (Nahar reportedly calling the Chief Minister Chief of thieves and the latter challenging Nahar to prove himself his 'father's son'!), the government's advertisement speaks of "progress and expectation" and reminds the people of the ruling party's "pledge".

An equally depressing aspect of the present situation in West Bengal, however, is the lackadaisical attitude of the Left Opposition headed by the CPI(M). While the basic social services and public utilities like education, sanitation, hospitals, public transports, etc, are coming to a grinding halt on account of the sectional movements of workmen, no doubt provoked by the bureaucratic highhandedness of the government, causing untold miseries to the common people, the Left parties are doing nothing to mobilise the people against the government.

The Season of Violence

(From a Special Correspondent)

THE turmoil in Bihar has been, while seemingly of briefer duration, even more vicious than in Gujarat. It is idle to hope that things will quieten down from now on. If food supply remains erratic, the parameters defining the situation could change their magnitudes at an extremely fast space. A movement, initially sponsored by students, will not then remain — as it has not remained in Gujarat and Bihar — confined to students alone. A welter of motives will keep churning. Diverse elements will try to cash in on the developing chaos. An indifferent population will watch from the sidelines. They, by and large, are no passionate devotees of violent acts. Still, enmeshed by the problems of daily living, they are reaching the end of their tethers. A phase of nihilism might well find a ready clientele in their midst. If valuable capital assets are destroyed, the nation's economic infrastructure is extensively damaged and, as a consequence, prices rise even further, in their present mood, they might not care less.

No Instant Solution

There is no instant solution to the issues which have come to the fore. The hands of the government ensconced in New Delhi are not clean; its reputation, despite the non-substitutability of Indira Gandhi, is anything but enviable. Besides, Gujarat has achieved, for those who are directly involved in the agitations, an important point of principle. Way back in [illegible] a so-called movement of popular [illegible] erala was allowed to be [illegible] for dismissing a lawfully [illegible] nent. The regime that [illegible] rid of belonged to the [illegible] genre. In the particular [illegible] parliamentary democracy [illegible] e, it was taken for grant- [illegible] emocratic tenets were not [illegible] by the manoeuvre. There [illegible] saving grace — or, shall [illegible] ace? Till Gujarat had [illegible] impression had persisted [illegible] nds that a mass upsurge, [illegible] aneous or got together, [illegible] le for the purpose of re- [illegible] office only a government [illegible] ile to the Centre. This [illegible] en rudely shaken in the [illegible] the happenings in Guja- [illegible] lents and their hangers-on have tasted blood. They now have discovered that provided their movement is sufficiently strong and sufficiently sustained, it can dislodge from office even a Congress regime.

The important operational principle thus established is bound to be soon applied to the other states — and conceivably to the Centre too. If the issues underlying the turmoil are the reluctance or inability of the authorities to check prices and their connivance in corrupt practices, a movement to get rid of them has a relevance not in Gujarat alone, nor in Gujarat and Bihar alone, but practically over the entire country. It could be that, following a spell of considerable bloodshed, Bihar too will be tamed. But in case prices cannot be turned back and corruption remains uncontrolled, there is going to be a fire next time, and other fires subsequently. These fires, sooner or later, will engulf the nation. It could even be that, given the combined might of the armed services, the para-military forces and the police, peace of a sort will, sooner or later, be clamped down in all corners of the land. But, unless the basic factors have been taken care of, the population will continue to be sullen and grumpy, and wait expectantly for the next round of incendiarism.

Emphasising the aspect of law and order will, in these circumstances, be of little avail. More rational solutions will have to be sought if the viability of the polity is not to be jeopardised beyond measure. Such solutions will have to be at two levels, the level of politics and at the level of economic practices. To take the latter one first: the government must be made to appreciate that everything else pales before the scourge of price rise. In this poor country, where a majority of the people subsist below all accepted nutritive standards and even the middle class can only boast of existence at the margin, there is a point beyond which unscrupulous bouts of price increase will not be tolerated, and people's wrath will be out. History has a remorseless way of asserting itself. How public stocks of foodgrains were quietly disposed of to private traders during 1971-72 under a decision of the Union Cabinet, or how sugar prices were decontrolled in 1971, in order that the ruling party could make a fast buck even as the consumers were put under squeeze, is no longer secret. The authorities must admit that they have much to answer for; they must be ready with at least some of the answers. Prices have to be controlled, relief of some kind or other has to be provided to the poorer sections as well as to that segment of the middle class unable to have its wages automatically adjusted to the rate of inflation.

Surrender to Blackmail

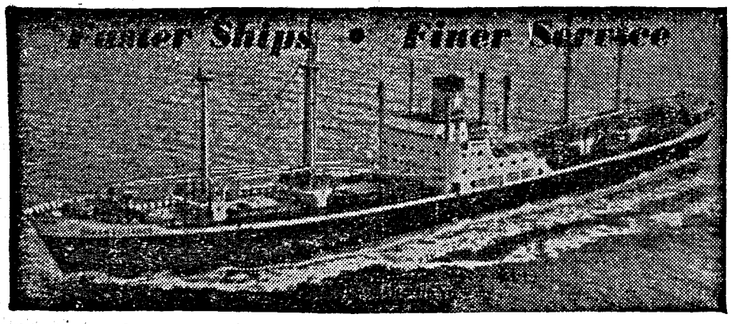
For controlling prices, however, the basic requirement is to control food prices, which are pivotal to the totality of price movements in the country. The kind of continuous surrender to the threats of blackmail by traders and rich farmers, as is being currently witnessed, could hardly be the way to bring about this price stability. You cannot control prices by raising the price level of basic staples. If cheap grains are no longer available from outside, the government must lower — and not raise — drastically the prices at which it commandeers food stocks; alternatively it must supply food to the more vulnerable sections at cheap rates by loading its cost on the richer consumers. The policy alternative that is at the moment being seriously contemplated, namely, abdication of the responsibility to commandeer grains and handing back the food trade, almost in entirety, to private operators, can therefore be an invitation to more chaos. Having taken the population for a ride in the name of populism, the government will now be hard put to run away from what is considered to be its primary responsibility, namely, providing food for the masses; if, instead, it assumes that the solution lies in reverting to a system where sharks of different species could mulct the masses at will, the turmoil will only grow in intensity.

The essential task is to dare to alienate — and not coddle further — those sections who today wield considerable political influence and do not hesitate to take undue economic advantage of this influence. A further task should be to curtail drastically bank credit to these elements and to deny the kind of subsidies which are flowing out to them, for example, in dubious-sounding employment and agricultural development programmes. Of the nearly Rs 1,500 crores which the Union and state governments and the public institutions have laid out in the past two years to expand farm production, there can hardly be any doubt that a

fair proportion has gone not to raise the output of foodgrains or other crops, but simply to strengthen the holding power of farmers and traders, so that progressively lesser quantities are marketed from out of a given crop? Can it not therefore be maintained that, other things remaining the same, one positive contribution toward controlling inflation and thus lowering the climate of political violence will be not to raise, but reduce substantially, the outlay purportedly for farm development?

Admittedly, this will scandalise the lovers of Dr Borlaug in the country, and those groups who have now made a fine art of chiselling the population in the name of agricultural growth. Admittedly, in the short run the government's ability to alienate those, upon whom it had lent heavily in recent years, will be limited. The courage being called for will be forthcoming, if at all, only to a moderate extent; to that extent, the impact on prices can also be of only a finite order. Such being the case, the government would have to look, simultaneously, for other solutions to the problem staring it in the face. It must abdicate its ego and agree to talk to some of the opposition groups who are today totally alienated from it. The Prime Minister's party has proved to its satisfaction that it can manage the business of winning elections. Questions have nonetheless been raised about the instrumentality through which this end is achieved, and more questions have been raised about the uses to which the power thus acquired has been deployed. There is, within the party, a certain superciliousness toward established political institutions, an attitude of *hauteur* toward parties in the opposition and a predilection for demagogy which completely cut athwart the conditions for a stable parliamentary democracy. You cannot pretend to run a democracy and yet behave as if the winner must always take all: the opposition must not only be tolerated but respected.

The ruling party can have genuine reservations about the credentials of a number of opposition groups, but to try to tar, as the party's president and the Home Minister are trying to do, the entire opposition with the same brush can be a grave act of folly, since it hastens the process of demolishing all bridges between the government and the opposition. When bridges are thus deliberately destroyed, intractable problems can arise, as they have arisen at the moment when the only dialogue found possible with the opposition is the dialogue *via* the army and the police. This achieves precisely the reverse of what is called for, and some more young idealists are alienated from the system. Till as long as this simple truth is not realised, the government's education is not complete and the season of violence therefore cannot be over.



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PEPPER

Case for a Producers' Agreement

Angus Hone

PEPPER is likely to become subject to a producers' agreement within the next two or three years. The Asian Pepper Community of India, Malaysia, Indonesia and Sri Lanka has been established as a result of meetings in Bangkok at the end of 1973. These four countries account for 80 per cent of world production, as the following figures show:

	Estimated Production in 1972 (tons)
India	37,000
Indonesia	19,000
Malaysia	30,000
Sri Lanka	12,000
Brazil	16,000
Malagasy Republic	5,000
Others	5,000
Total world production	1,26,000

Exports broadly follow the same pattern, although India consumes about 50 per cent of its production domestically and Sri Lanka makes only marginal exports of 500-1,000 tons annually as a result of its failure to import low cost chillies from India. The exports of pepper by the different countries are as follows:

	Estimated Exports in 1972 (tons)
India	19,000
Indonesia	21,000
Malaysia	22,000
Sri Lanka	1,000
Brazil	13,000
Malagasy Republic	3,000
Total world exports	79,000

Pepper is an ideal product for producers' to influence prices. It takes at least 4-5 years to establish a pepper vine. The climate and conditions are broadly limited to the present major areas of cultivation, although West Malaysia, Philippines and parts of Africa could expand production. The size of crops fluctuate on a three-yearly cycle, meaning a good crop in India can coincide with a poor year in Indonesia. Pepper can be stored for very long periods provided it is kept dry Supply cannot be increased when prices rise, although it is technically possible to make more white and less black pepper in Malaysia (Sarawak) and Brazil when the price differential widens. Demand is almost totally price inelastic; partly because the final retail selling price after processing is six to ten times the f o b price and partly because in pepper's bulk use in the food processing industry the value of pepper is less than one per cent of total cost of the end product. The result is a product whose prices can be raised substantially if producers can agree among themselves.

The level of, and prospects for, pepper prices improved significantly in in 1973. The 1972 price levels were £ 500-550 per ton for Sarawak white and £ 400-450 for Sarawak black with Brazilian and Indonesian prices in London and New York broadly in line and Indian/Malabar and Tellicherry black peppers £ 50 or more above these market levels. The prices in January 1974 were £ 1,000-1,050 for Sarawak white and £ 675-725 for black. White pepper is in short supply as European and Japanese demand has risen steadily and black peppers have moved ahead on low levels of supply from Brazil.

The broad consumption pattern, which is as shown below, means that any pepper agreement between producing nations will have to take into account the major black and white centres:

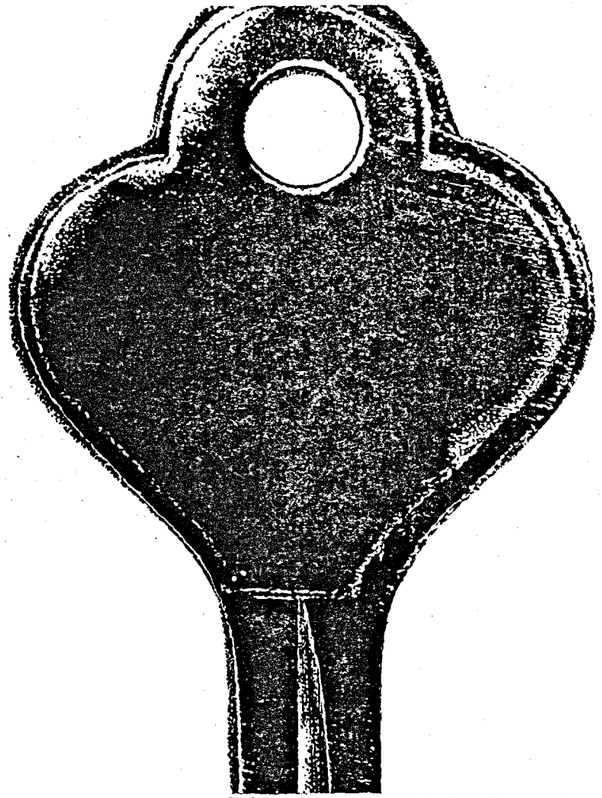
	Estimated Imports in 1972 (tons)
Western Europe	30,000
Black	7,000
White	23,000
USA and Canada	27,000
Black	24,000
White	3,000
Japan	4,500
Black	500
White	4,000
Centrally planned countries	14,000
Black	13,000
White	1,000
Total: Black	44,500
White	33,000

Basically, pepper needs two separate agreements. The first, an agreement for black pepper between India, Brazil, Indonesia and Malaysia would control the volumes offered to North America, the USSR and Eastern Europe and the EEC, where Italy is a major black pepper consumer. The key markets are the US, which is dominated by Indonesian Lampong black and the USSR and Eastern Europe, which is dominated by Indian black peppers. Brazil only exports 2,000-3,000 tons of black to the US and less to Europe but production in Para State is likely to expand during 1974-1978. Sri Lanka would also be a valuable signatory to any agreement because its exports could expand rapidly when chillies are imported to release black pepper for export to the US. Any agreement to restrict output offered to the international market will require the widening of the Asian Pepper Community to include Brazil and the operation of a well-financed buffer stock working with minimum and maximum buying/selling prices on the New York and London markets. This buffer stock would only operate effectively if India's surplus pepper exports were marketed after consultation with the buffer stock managers. The operation would resemble the International Tin Council's very successful production control and buffer stock management scheme. White pepper is in much shorter supply, but an agreement would need to include Malaysia, Indonesia, Brazil and Malagasy Republic — the only important producers — and the buffer stock operation would have to be based on the London and Hamburg markets. The quality of both white and black peppers from differing origins varies widely and agreements would also have to be reached on price premia for different grades.

The result of such agreements could be the raising of prices to £ 1,500 per ton for white and £ 1,000 per ton for black, although fluctuations would be allowed ± £ 100 per ton. The countries of the Pepper Community would adjust target price levels each year in line with supply/demand conditions.

Pepper consumption is closely linked to meat consumption in the developed Western economies and the centrally planned economies. All indications are that meat consumption will rise substantially during 1974-1980 and there will be a partial switch away from beef to lower cost meats such as chicken, lamb and pork. The expansion of meat consumption and a continuous growth in the output of manufactured and convenience foods will stimulate a rise in demand for pepper at over 3 per cent per annum.

Pepper is an ideal product for a marketing consortium arrangement. India's average export earnings of Rs 14-16 crores ($ 20-22 million) could be raised to Rs 28-30 crores ($ 38-42 million) on the same volume of 20,000 tons if a black pepper marketing arrangement can be established by the Pepper Community.



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ETHIOPIA

Time of Reckoning

Nilanjana Biswas

Lawrence J Sakarai

THE story of Ethiopia reads like a grim fairy tale. The Amharas and the Gallas, who dominate the Coptic Church and the Throne, make up the aristocratic landed gentry who form 0.1 per cent of the population. Seventy per cent of the land is owned by this 0.1 per cent. Ninety per cent of the population is engaged in agriculture and tenant farmers make up 80 per cent of the agricultural population. These farmers pay 75 per cent of their produce as rent to their landlords. Tenants are also required to spend one day out of three rendering various unspecified services for their landlords.

Industry accounts for only 5 per cent of the total output and is dependent on imported raw materials. The number of workers in industry is 85,000. Industrial workers earn a minimum daily wage of 1.50 to 1.75 Ethiopian dollars (E $ = Rs 3.75). Since 1960, the prices of food have gone up by 36 per cent and clothing by 27 per cent. Wages, in the same period, have risen by less than 5 per cent. In some areas they have actually declined.

The health situation is appalling. Fifty to 60 per cent of new born babies die in the first two-and-a-half years. Fifty per cent of the adult population suffers from syphillis. In some urban centres syphillis has reached epidemic proportions. Leprosy is endemic throughout the country. In the province of Gojjam alone it is estimated that there are 110,000 to 125,000 lepers. Of the 25 million Ethiopians, 10 million live in malarial areas. An estimated 20,000 people die of malaria every year. In 1958, 125,000 people were believed to have died in a malaria epidemic in Tigre. Typhoid, amoebic and bacillary dysentery and smallpox are widespread and rampant.

The majority of the hospitals are located in Addis Ababa where there is one bed for every 3,500 persons. There are 350 qualified doctors of whom only 150 are Ethiopians. There are another 150 'near doctors' who are really health officers. Counting both doctors and health officers, there is not more than one trained medical man for every 50,000 persons and 900 square miles. Despite this miserable health situation, the First Five-Year Plan allotted only 2.3 per cent of the total budget for public health. Under the same Plan, 30 to 35 per cent of the outlay was allotted for military expenditure. The 1972 national health budget (including foreign aid for such projects as malaria control) amounted to about one Ethiopian dollar per head per year.

Thirteen per cent of total national expenditure was on defence in 1972, the bulk of it going to the army. The proportion has risen sharply in 1974. Ethiopia has the largest and the best equipped armed forces in Black Africa: 30,000 in the army plus another 30,000 in the police. The air force is small but modern. Since 1953 Ethiopia has been getting one-half of the total US military expenditure for the whole of Africa. The US spends $ 12 million annually on arms to Ethiopia.

No other country in Black Africa spends as little on education as Ethiopia. Ninety-five to ninety-eight per cent of the people are kept illiterate — a figure unequalled in Africa. Of an estimated 6 mn school-age children, only 186,000 or 3 per cent, are actually in school. The government provides only 2,000 seats in colleges and there is only one University, the Haile Selassie Imperial University.

Famines occur with grim regularity. At least one major province suffers from starvation annually. In the four regions of Harar, Wollo, Tigre and Northern Shoa, which cover an area of 60,000 sq miles and are populated by 5.5 million people, two million are currently affected by the prolonged drought which is three years old in most areas and up to seven years old in some. The average number of starvation deaths per week range from 700 to 1,000.

The government has pursued a policy of exporting food even in the midst of the worst famine. In the first quarter of 1973, the export of such items as peas, beans and lentils was up 92 per cent over the same period of the previous year. In the last quarter of 1973, when the famine was at its most acute hundreds of tons of gram, beans and even some milk continued to be exported to the Arab world and Western Europe.

From time to time coup plots against the Emperor have been uncovered and squashed. Qualitatively different from the previous coup attempts was the 1960-61 coup staged by left-wing intellectuals together with the Imperial Bodyguard, the *coups d'elite* of the armed forces. Led by Germami Newve, the governor of Wallamo who began land reforms on his own initiative, the abortive coup rocked the feudal foundations of Ethiopian life. Radical students came out in the streets supporting the coup, relating it to a People's Government. But Germami and the other coup leaders erred in believing that a highly select band of revolutionary warriors could stage a coup by themselves. The rank and file of the army was ignored and the students were not armed. The coup was short-lived. In the end, all the coup leaders were hanged — including the corpses of those who were killed before being captured. The Emperor himself directed that the corpses of the fallen be exhibited in the streets of Addis Ababa. (It was apparently this single gruesome act which lost him the 1967 Nobel Prize!)

Inspired by Germami's land reform schemes, students demonstrated in the capital in favour of immediate and drastic reforms in landlord-tenant relations. The students demanded a land to the tiller programme, the destruction of all concentration camps, the repeal of fascist laws and the end of US involvement in Ethiopia. By 1969, student power had become a force to be reckoned with. Thousands of high school and university students demonstrated on the streets of Addis Ababa. At first it appeared as if they were out to wreck the educational system but their 15 demands made it clear that they intended going much further. Some of the demands were: compensation to parents of students killed, free education, end to the economic stagnation and unemployment, removal of the Peace Corps from Ethiopia, discontinuance of scandalous government expenditure on foreign guests and immediate release of all students from prison. At the same time, students held rallies and demonstrations expressing their solidarity with the Vietnamese peoples' struggle and with the anti-colonial struggle of the people of Zimbabwe (Rhodesia).

Though student strikes and demonstrations continued in 1970, the students failed to forge links with workers in urban areas. The most significant development was the students identifying themselves with the Eritrean Liberation Front (ELF) and adopting



the principle of self-determination of all peoples and nationalities.

By the middle of 1971, thousands of high school students between the ages of 16 and 20 years decided on a definite programme of action. They demanded land reforms, opposed the 20 per cent increase in bus fares and the steep and sudden rises in food prices and condemned the arrest of vagrants in Addis Ababa. They roamed the streets attacking buses, the Mercedes cars of the Royal Family and the Ministers and the homes of the more unpopular Ministers. What really gained public support for the programme of action adopted by the high school students was their guerilla sorties into the capital's market place where they forced traders to sell their products at lower prices. Significantly, the police did not intervene; they even rendered passive support, saying "this is not politics". The army was then called out and the decision was finally taken to arrest the demonstrators who were locked up in four detention camps.

A qualitatively new revolutionary situation began to prevail in early 1974. As part of their democratic programme, students called for a temporary administration until their demand for a new constitution was met. The resignation of the Prime Minister was successfully demanded and a new Prime Minister was in fact soon appointed.

With the students creating a highly inflammable situation, rebellion began to grow in the military barracks. The army revolted over pay and working conditions. The seamen of the navy joined the revolt and seized control over Asmara, Ethiopia's second largest city. Several naval officers whom the seamen wanted dismissed were imprisoned.

During the revolt, the air force refused to mount air strikes against the army. The Imperial Bodyguard also declined to challenge the revolt. Thus there was apparent a significant coming together of the three sections of the armed forces. They were, however, unable to identify themselves with the students and refused their support. Students launched anti-government demonstrations and five days of violence followed. The government called out the army and police to keep order. The regime appeared to be quite sure that by giving in to the demand for pay rise, it would break the revolt. A certain section of the army was appeased, but more trouble was brewing.

A secret group of non-commissioned officers (NCOs) prepared a new programme of demands which were similar to those of the radical university students: freedom of the press, release of political prisoners, land reforms, improvement of labour laws, free education and equal opportunity for all, price control on all essential goods, establishment of political parties and democratic elections and vocational training institutions for soldiers.

In the political climate created by the revolt of the students and the armed forces, the Confederation of Ethiopian Labour Unions called for a general strike. The Unions demanded new labour laws, pay increases, social security schemes and the right of organisation for workers in government services like telecommunications, electricity and water supply.

Faced with such a severe crisis, the first of its kind in modern Ethiopia, the Emperor drove into Addis Ababa's teeming market place and doled out money to the poor. The Emperor also gave in to the students' demands and appointed a new Prime Minister who quickly conceded the workers' demands in full. Basic wages were tripled, two pay increases were announced for the armed forces, the government promised to control spiralling prices and free universal education was introduced. The doors were also opened for the formation of political parties.

The radical students spearheaded the democratic movement in the urban areas. The revolt of the armed forces and the general strike called by the labour unions owe much to the environment created by the students. The urban revolt has also drawn on the inspiration provided by the ELF and the peasant guerilla movements in the Bale and Gojjam regions.

The ELF, waging a guerilla struggle for Eritrea's liberation from the feudal yoke of the Ethiopian regime, is principally a peasant movement. More than 14 years old, it has grown into a serious threat, particularly in view of the support extended to it by progressive elements within Ethiopia.

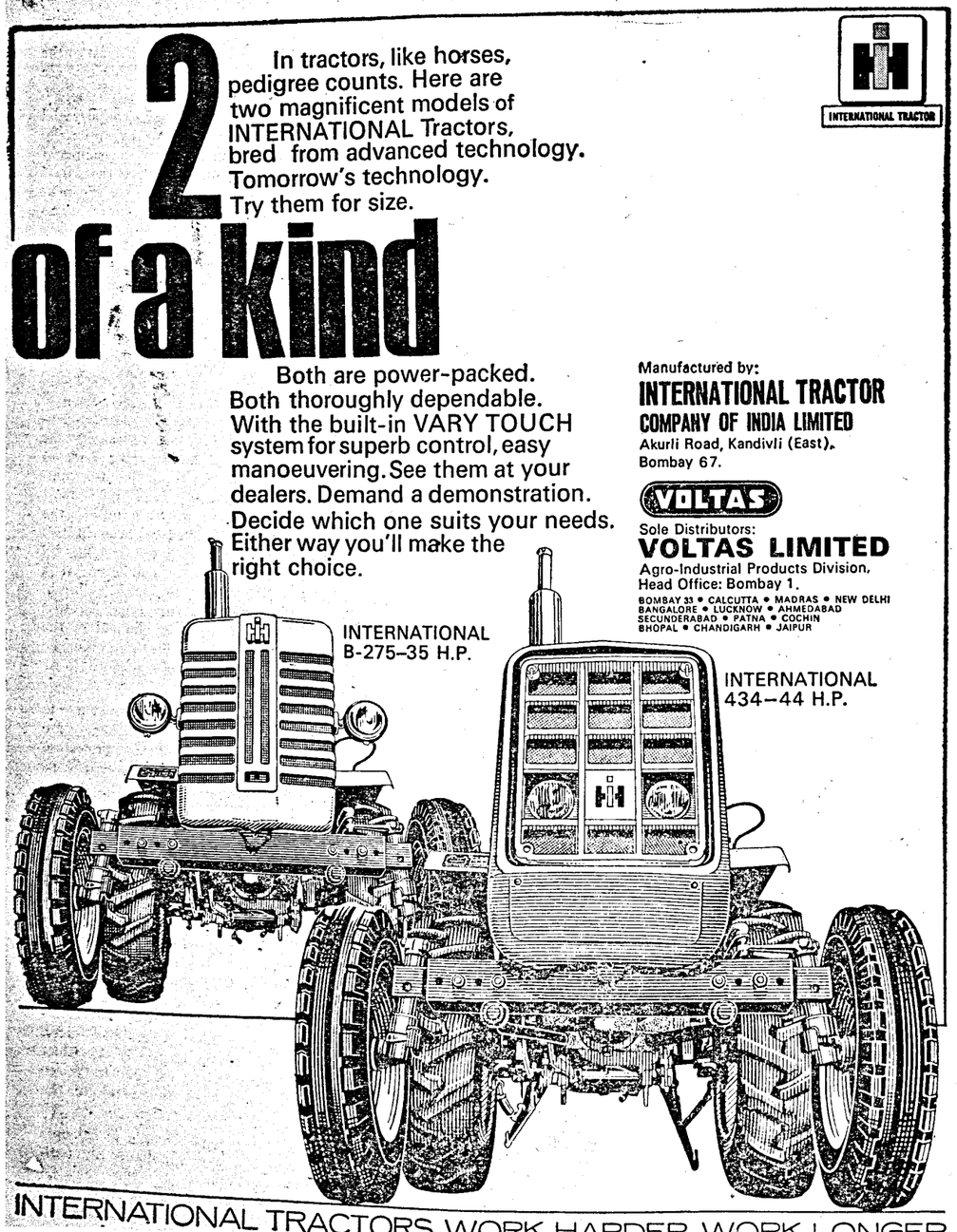
If the ELF appears as a distant threat, the guerilla movement in the Bale region, just 200 miles south of Addis Ababa, is dangerously nearer home. It has steadily waged its armed struggle for 13 years. The army has been unable to crush the movement which has fanned out to embrace many southern regions. Peasant upheavals have become widespread. North of Addis Ababa, the peasants of Gojjam have begun a revolt against landlords and high rents and taxes. There are recurrent peasant uprisings in other northern areas as well.

Compared to peasant movements, urban militancy is a comparatively recent phenomenon. Students have not as yet made common cause with the peasantry or the urban working class. Though all the urban groups voice more or less the same demands, no alliance has emerged between the various groups. Several factors are responsible for this.

The army, with its own tribal/racial divisions, treads cautiously, primarily because of its being a pampered elitist group. Ultimately, it is the armed forces which keep alive the whole neo-colonial structure of the country. The Ethiopian Students' Movement charges that Haile Selassie has "turned the country into a base for the neo-colonialisation of the entire African continent". The US maintains an important base in Ethiopia, the Kagnew Station. The importance of the base for the US position in Africa was brought out by the *New York Times* as far back as in 1965, "The Kagnew Station is in a relatively interference-free area, and has many advantages as the African and Middle East Link in the world-wide system of US communications. It is one of the most important stations of its kind in the world" (May 15, 1965). Seen in this context, the 1960 pact between the US and Ethiopia becomes significant. At a Senate Hearing, Senator Fulbright stated that the pact suggested "... that the US would come to the aid of the Ethiopian Emperor in the event he was faced with any insurrection" (*New York Times*, May 19, 1970).

Haile Selassie has every reason to be grateful to the US. There are special laws in Ethiopia protecting more than 200 US agencies and firms against expropriation. Ethiopia has among the most liberal investment policies in Africa. American monopolies dominate the country's economy. For instance, Ralph Pearson Corporates have a $45 million mining project in the Danakil Desert. US companies have also invested $100 million in potash mining. Playing an important supportive role for US imperialism in Ethiopia are the Israelis. The country's intelligence system is believed to be run by them. Israeli military experts play an important role in the country's armed forces. The Chief Traffic Engineer, the Chief Road Engineer and the Port-in-Charge are Israelis. Israelis run many of the country's essential services.

Thus the present struggle in Ethiopia is anti-feudal and simultaneously anti-imperialist. Perhaps Emperor Selassie realises that a peoples' war is about to erupt. Hence his seeming readiness to function as a constitutional monarch.



REVIEW OF AGRICULTURE

March 1974

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Manuscripts intended for publication should reach the Editor at least six weeks ahead of the date of publication.

Play-Acting

THE so-called take-over of the wholesale trade in wheat last year was a fraud. So it is difficult to get overmuch exercised at the formal reversal of the decision this week. Out of the last rabi crop only a little over 4.5 mn tonnes was sold to the government. The wholesaler, who had supposedly been banished from the scene, snapped up most of the rest of what had been sold by the farmers. However, pretences have to be maintained; the game of fooling the people has to be played to the boring end. The government has to make out that, though the wholesalers were being allowed back into the wheat trade, they would be permitted to operate only "under a system of licensing and control" and that a variety of obligations were being imposed on them failure to fulfil which would, through a proposed amendment of the Essential Commodities Act, attract the most stringent penalties. For their part, the traders have to seem to be in a chastened, even contrite, mood.

All this is well-rehearsed play-acting. The so-called obligations imposed on the traders, and so readily accepted by them, are not worth a tinker's cuss. The traders are required to surrender to the government at the procurement price of Rs 105 per quintal one-half of all their purchases in the five surplus states of Punjab, Haryana, UP, Madhya Pradesh and Rajasthan. But what is likely to stop the traders from understating their purchases and, therefore, the quantities they are obliged to hand over to the government? How is that possible, asks Agriculture Minister Fakhruddin in all innocence. According to him, almost all the wheat markets in the country are 'regulated' and every transaction is recorded by as many as three parties: the commission agents, the market committees and the agents of the Food Corporation of India. But if the marketing arrangements are really so fool-proof, then how did it happen that last year except for about 4.5 mn tonnes the rest of the wheat sold by the farmers escaped the government's procurement net?

No trader worth his salt is going to hand over half his wheat stocks to the government at Rs 105 per quintal — high enough though that price is — when he can get at least Rs 175 and perhaps much more in the market. The government's hopes of collecting 6 to 7 mn tonnes of wheat through the levy on traders belong, therefore, to the category of pipe-dreams. That is not the main point, though. What is important is the grossly inadequate coverage of the public distribution system and the irrational choice of the sections of the population which it does cover. Under the public distribution system, foodgrains are supplied to areas which are covered by statutory rationing and through fair-price shops elsewhere. The former cover less than 3 per cent of the country's population, living in the metropolitan cities. The coverage of the fair-price shops is limited; in most states it is only a part of the population living in urban and semi-urban areas which has access to them. Far more important, supplies through these shops are inadequate and uncertain and become more so as shortages become acute and prices rise in the 'open' market.

In the given circumstances, however, the public distribution system cannot but be of this type. In the first place, it is inevitable that the government will be solicitous of the interests of the vocal and powerful middle and upper classes in the cities even if this means throwing to the wolves those in real need of government-distributed foodgrains. Second, the scale of operations of a public distribution system aiming to reach all the really poor would be so enormous that it will simply not suit the interests of the present government to organise it. For instance, Raj Krishna had estimated that to meet the minimum requirements of the poor — defined to exclude all income-tax payers as well as all cultivator families — would have required 20 mn tonnes of foodgrains in 1966. It is inconceivable that the government will be either willing or able to procure this quantity of foodgrains and at prices which, even after some government subsidy, the really poor will be able to afford. Since an adequate and rational public distribution system is beyond the present government — not, as is commonly believed, because of lack of administrative competence but because of the specific economic and political interests which the government represents — whether the trade in foodgrains is in private hands or is taken over by the government is not a matter of prime importance.

The procurement prices fixed for the different foodgrains have in effect served as assured support prices for the farmers. Similarly, the prices set for release of foodgrains through the public distribution system — which, in the case of wheat, are to be raised sharply by over 35 per cent from April 1 — will serve as the floor price for private trade. Thus both the large farmer with surpluses to sell and the trader can plan their operations secure in the knowledge that while there is no limit to how high they may raise prices, there is a floor below which prices will not fall!

Two Perspectives on Redistribution of Land

V M Rao

Redistribution of agricultural land to achieve equity would be easily recognised as one of those hardy ideas which survive, however lingeringly, despite more than two decades of non-implementation. Given the policy-maker's perspective on redistribution, and on land reforms in general, it is unlikely that the idea of redistribution would ever get out of that twilight zone which separates patently unworkable ideas (recognised as such) from those which are implementable (and implemented) in practice.

This, by itself, need not be a matter of much concern but for the fact that with a perspective more in tune with the broad objectives and policies of planning the policy-maker may still be able to squeeze something of value out of the idea of redistribution. More importantly, in the absence of a proper perspective, the opportunities to benefit from the reform-potential of the idea of redistribution may remain unrecognised by the policy-maker as and when they arise.

The divergence between the current practice and what it needs to be if the objective is to achieve equity along with elimination of absentee-ownership (in the sense of ownership of land by non-cultivators) suggests that the researcher has possibly been as casual in measuring the scope for redistribution as the policy-maker has been in implementing the programme. Our findings indicate that the measurement of the scope for redistribution calls for far more patience in collecting data and ingenuity in analysing them than are involved in cursory calculations based on distribution of land in a region or a state.

I
Introduction

THE purpose of this paper is to compare the perspective currently motivating thinking and policy-making on land reforms in India with what, in our view, the perspective needs to be if a measure of overall economic development and technological change in agriculture is envisaged to occur in the decades ahead. It is hoped that the latter is not an overly optimistic assumption to make in the light of the break-throughs that have occurred on the technological front in agriculture in the last few years and the further break-throughs hopes of which are held out by the scientists. Since land reforms in India is an area in which it is difficult to think of an idea or theme not written upon by many already, the contention of this paper is not that the components of what we regard as the new perspective on land reforms necessitated by development and technological change are unknown and need to be freshly discovered. The contention is only that the readjustment of major policy perspectives is usually, and possibly justifiably, a painfully slow process and that researchers can aid the process by resorting, to an extent, even to overdrawing the contrasts and labouring the obvious, as has been done in this paper, to help keep the need for readjustment a live and contentious issue.

The paper focuses on the idea of redistribution of land which in its twin manifestations — land to the landless and land to the tenant-tiller — has inspired much of the more ambitious legislative efforts to bring about basic reforms in the system of ownership and cultivation of land in agriculture. The attempt is to look at the reform-potential of this idea from the viewpoint of new perspective and, in the process, seek an explanation for the remarkably little headway which the programmes based on the idea have been able to make so far. It is obvious that the reasons for this must be connected with one or more of the principal aspects of these programmes, *viz*, the objectives of redistribution, the principles and criteria guiding the programmes for redistribution, the specific nature of these programmes and the manner in which they are implemented. It is our assumption that these aspects, in their turn, derive from the land-reformer's broad conception of the way in which the Indian agrarian economy functions and the role that land plays in it. We refer to these interconnected components as constituting a 'perspective' on redistribution of land. The stand taken in this paper is that a comparative consideration of the current perspective with what it needs to be in the context of development and technological change is of substantial help in understanding the past and in deriving the guidelines for future in relation to redistribution of land as a measure of land reforms.

The plan of the paper is as follows. The next section describes the main characteristics of what in our view is the current perspective on redistribution of land. The reference here is only to the perspective that can be inferred from the relevant legislative enactments and the accompanying pronouncements and not to the range of perspectives reflected in the writings of academics and others of widely divergent political hues. Section III contrasts this perspective with the perspective suggested as appropriate by development and technological change. A recurring theme in the literature on redistribution of land relates to the question of the scope for redistribution in terms of the size of the surplus available for redistribution. The last section of this paper draws attention to some pertinent issues relating to this question which seem to have remained unnoticed so far.

II
Current Perspective

The main proposition sought to be argued in this section is that the current perspective on redistribution of land derives, almost wholly, from a conception of the economy as a predominantly agrarian economy in which a growing population wages a ceaseless and precarious battle for survival in a context characterised by meagre economic development outside agriculture and little technological change within agriculture; consequently, the context is viewed as one with disheartening prospects of the all-important constraint of land getting progressively relaxed through opportunities to move out of agriculture and through opportunities to supplement labour with ingenuity in agriculture to coax a bigger bounty out of the given land.

Three obvious implications of this conception for the role that land plays in the economy are the following. Firstly, it is clear that a predominant part of the population in such an economy would depend for its livelihood on access to land in one form or another — as owners, as tenants or as labourers working for wage. Secondly, the differences among the population in relation to the extent and quality of access to land would not only be the principal determinant of distribution of income and wealth in the community but would also be the very basis of the stratification of the community into socio-economic classes with sharply antagonistic interest.[1] Thirdly, given the prospects of the struggle for access to land getting progressively more fierce, it is only natural to view with distrust and apprehension the capacity of the prevailing institutions and markets providing access to land to function equitably on their own without external intervention; in fact, almost inevitably it must appear that these institutions and markets, left to themselves, would aggravate the pace of the process of immiserisation and lend a sharp edge to the conflicting class interests by permitting the emergence of a class which thrives ostensibly on the miseries of their less fortunate brethren.

It is only to be expected that in the light of the conception of the economy and of role of land sketched above the question of land reforms should begin to loom large in the thinking of policy-makers right from the outset of systematic efforts at planning and development. Since the community consists of a vast mass of desperately poor people vulnerable to exploitation and since this exploitation, to the extent that it occurs, is likely to work through the relationships connected with land, the task of land reforms would appear to be the broad and basic one of maintaining 'economic' law and order as a precondition for development and as a measure to enable all sections of population to participate in the process of development. Redistribution of land would be expected to help this task by modifying the prevailing distribution of land to eliminate both "excessive" ownership of land and holding of land by non-cultivating rentiers. For any one conversant with "ceiling" and "tiller's day" legislation in India, the important role that these objectives have played in the conceptualisation of redistribution programmes should be obvious.

The main point that we would like to make in relation to the criteria adopted by the policy-maker to translate these objectives into programmes for redistribution is that these criteria draw their content primarily from the policy-maker's concern about and his conception of the requirements of "fair" income-distribution in the economy; in our view, the considerations relating to structure of farms envisaged in agriculture play only a secondary and relatively minor role in shaping these criteria. Since this point is contestable, we hasten to list briefly our reasons for holding it. Firstly, it is our impression that the issue of level of ceiling to be imposed on holdings is usually argued for and justified in terms of a need for having a reasonable and generally acceptable (i e, not too low) ceiling on income. Secondly, it is apparent that the policy-maker's conviction that taking away of the lands above the ceiling needs to be semi-confiscatory in nature rests on the view that in the prevailing scarcity of land it is *morally* repugnant to permit large owners to own as much land as they do, irrespective of the manner in which their lands are cultivated. Thirdly, it should be granted that the current thinking on distribution of surplus lands assigns high priority to the need to benefit as many as possible of the poorest in the economy, such as landless labourers, by providing them with at least a toe-hold on the land. In the light of these features of the criteria adopted in devising programmes for redistribution, it would seem fair to conclude that these criteria view land not so much as an input in a production process as generalised income whose distribution needs to conform to values and norms appropriate in judging distribution of income. It is needless to add that the assumption of a static and traditional technology in agriculture provides a strong temptation, and even a justification, to treat land as a proxy for income.

The last feature of the current perspective on redistribution of land to be noted relates to the nature of programmes sought to be implemented. As was noted above, a general premise underlying thinking on land reforms is the serious distrust about the capacity of free transactions in the arena of land — as between purchasers and sellers, landlords and tenants and employers and labourers — to be fair to both the parties to the transaction with the implication that almost any measure of land reforms one can think of would need direct intervention by the government to implement it. This must appear all the more true of the measures needed to modify the prevailing distribution of land. Looking at the situation from the current perspective, any suggestion that distribution of land may be amenable to modification in the desired direction by programmes other than "ceiling" legislation must appear preposterous.

It has been our attempt to bring out the logical consistency which, in our view, links up the different components in the current perspective on redistribution of land. The argument is that given the view of the economy and of the role that land plays in it, as outlined at the beginning of this section, the other components in the perspective would appear to follow as a matter of logical necessity and not because of any political or ideological predilections. Since the perspective has amazingly little to show in terms of redistribution of land actually brought about with its help, it is natural to look for hypotheses to explain this. To judge from the relevant literature, including official evaluations, the explanations offered appear to go along two alternative lines. There is, firstly, the contention that the present political-cum-administrative set-up of the economy is incapable of implementing radical measures such as redistribution of land; this contention usually forms part of a broader and more basic argument that formulation and implementation of specific types of developmental strategies as needed by countries like India are beyond the reach of the political systems prevailing in them. This may be termed the "soft democracy" hypothesis to explain the failure of redistribution programmes in India. The alternative explanation (if it can be regarded as one), which may be termed the "non-feasibility" hypothesis, traces the trouble to the fact that any "fair" ceiling would leave little surplus to distribute. This happens, so the argument goes, because viewed as a ceiling on income and in the absence of an overall policy for ceiling on incomes in the economy as a whole, the "fair" ceiling on land-ownership cannot be low enough to make redistribution feasible. Whatever the explanation, it is difficult at present to discern any genuine enthusiasm, either among the policy-makers or among the researchers, for the programme of redistribution of land.

A word needs to be added here about the hypothesis of "soft democracy". It is useful for this purpose to distinguish between the two distinct weaknesses of a "soft" democracy in implementing radical measures. Firstly, such a democracy lacks organisation, personnel, cadres and politically-disciplined populace to undertake measures — like redistribution of land, enforcement of rents and wages, etc — involving

comprehensive and continuous *direct* intervention in the economic activities of millions of individuals and of tens of thousands of communities and institutions; we may term this the weakness stemming from limited potential in a "soft" democracy for "regimentation". Secondly, the political influence in such a democracy is usually distributed very unevenly leaving large scope for small but tightly-organised groups to pass off what is good for them as national policies or to prevent national perspective from being brought to bear upon issues of major importance; we may term this the weakness of "domination by vested interests". While there are a number of indications that the second weakness in a "soft" democracy may conceivably diminish with time and growing politicalisation of different sections in the society, there appear to be none at all to suggest any increase over time in such society's potential for "regimentation". On the other hand, it is our feeling that the failure of the programmes for redistribution of land in India is traceable much more to the first weakness than the second; it looks improbable that redistribution of land has had to contend with vested interests much more powerful than those which could not prevent abolition of zamindari tenure in the fifties and more recently, abolition of princely privileges.

Thus, the current perspective on redistribution of land appears to lead us to a dead-end. On present indications, it seems capable of yielding nothing more tangible than a futile longing for revolution among those who yearn for a millennium or a ritualistic announcement of lowered ceilings which nobody takes to be implementable. A possible way of bypassing the dead-end is by asking whether the propositions with which the current perspective starts — *viz*, the view of the economy and the role that land plays in it — are valid today and would remain so in the decades ahead. While those who do not give a chance to "soft" democracy may not care to try this way, others — and they would include the policy-makers — may not be averse to exploring it, at least to escape the boredom of staring at a dead-end. One starts along this way by assuming that the Indian economy has already undergone a measure of overall development and technological change in its agriculture and that this process is likely to continue in future in conformity with the broad objectives of planning. The attempt then is to read the implications of this assumption for the policies for redistribution of land. This is the theme of the next section. The exercise may be looked upon either as a search for a perspective on redistribution of land which is consistent with the set of plan objectives and policies as they stand today or, by those who are more optimistic about the plan achievements, as a search for the right perspective. We choose a less colourful title — "Alternative Perspective" — to designate the results of the exercise.

III

Alternative Perspective

We begin the task of delineation of the alternative perspective by positing a different view of the economy and of the role that land plays in it; employing the line of argument used in the previous section, the attempt will then be to show that the other components in the alternative perspective arise as logical corollaries of the initial proposition. We assume that the Indian economy is and in the decades ahead, will continue to be a developing economy in the sense of affording growing opportunities to the population cramped in agriculture to move out to other sectors in the economy. Quite apart from the fact that the trend in the Indian economy since the beginning of the era of planning has been broadly in the direction of increased diversification, it is a truism to say that increased diversification is one of the principal objectives of planning for development in India. Given these objectives, it would seem reasonable to develop perspectives on specific policy issues — such as redistribution of land — on the assumption that these objectives will be achieved with a measure of success rather than that they will not be achieved at all. The second assumption that we make is that the realised technological change in agriculture will continue to be of the land-saving type permitting a far more intensive use of land in terms of combination of labour and material inputs with land in cultivation processes. The assumption, in effect, is that both the purposively planned research activities to create innovations and the fiscal, price and extension measures to promote their adoption will work in the direction of bringing about technological change in agriculture of the type needed by the economy and desired by the planner. Here, again, the contention is that the perspectives on specific policy issues should be based on the assumption of achievement of the broader objectives of planning.[2]

The main implications of the two assumptions made above for the role that land plays in the economy are the following. Firstly, the diversification of the economy and the land-saving type of technological change in agriculture should have the effect of relaxing the constraints imposed by land on the growth of income and employment within agriculture and in the economy as a whole; in other words the precarious dependence of a predominant part of population on land for livelihood may be expected to progressively diminish. Secondly, a somewhat less obvious implication of diversification and land-saving technology is that these developments should weaken the rigid link obtaining in traditional agriculture between a person's extent and quality of access to land on one hand and his income and socio-economic status on the other. Thirdly, these two implications together would appear to suggest that diversification and technological change should make for an environment in which the institutions and markets providing access to land in agriculture are likely to function less inequitably than they do in traditional agriculture.[3] The striking difference between these implications and the corresponding implications noted in the previous section lies at the root of the principal contrasts between the current perspective on redistribution of land and the alternative perspective being described in this section.

The need for a changed perspective on land reforms in general and on redistribution of land in particular arise from the fact that, while in the economy described in the previous section land comes close to being a unique and exceptionally potent repository of income, wealth, power and status — an instrument, in a word, which gives its possessor a stranglehold over the life and fate of the non-possessor —, this is no more true of the role of land in the economy undergoing diversification and land-saving technological change in its agriculture. In such an economy, land could indeed be a coveted scarce input — like foreign exchange or steel — capable of yielding to its possessor large and even spectacular, windfall gains but it need be no more than that. It is easy to see that there would be a scramble for land in such an economy, more

plausibly in the initial development phases, which needs to be regulated and umpired by the government; but its nature and its consequences for the mass of population are likely to be much less catastrophic than those of the elemental struggle for survival described in the previous section.

It should be apparent from the points made so far that in an economy subject to development and technological change the objectives of land reforms need to be scaled down from those of maintaining "economic" law and order to those of regulating the distribution and use of a specific scarce input. It is not suggested that the problems of "economic" law and order — and those arising from inequitable distribution of income and wealth — would not be important in such an economy. The point is only that the close link and identity obtaining in traditional agriculture between the two conceptually distinct tasks, *viz*, that of maintaining "economic" law and order and ensuring equitable income distribution on one hand and that of regulating the distribution and use of land on the other, would not obtain under the changed conditions. Under the latter, this distinction which remains latent in a traditional agriculture is likely to become progressively more manifest and, in the process, compel the policy-maker to devise distinct, though not independent, set of policies for the two tasks.

It looks both reasonable and plausible that, in an economy undergoing diversification and technological change in agriculture, the trend in the policies relating to distribution and use of land — *viz*, the land reforms policies — would be to become a part of the broader package of policies concerned primarily with promoting the structure of farms desired by the policy-maker in the light of the land-saving technology in agriculture. We have already assumed above that the policy-maker would work purposively, through research and extension, to put such a technology in the hands of cultivators. This objective would obviously need three distinct kinds of supporting policies — (a) policies to institutionalise the supply of inputs, including finance, to place them within the reach of all cultivators, especially the smaller ones, (b) policies to discourage certain forms of mechanisation which would imply substitution of scarce capital and land for labour in cultivation, and (c) policies — price, crop-insurance, etc — to ensure a minimum acceptable level of profitability to farmers in adopting the prescribed technology. It is easy to see that the cumulative effect of these policies is to eliminate the increasing returns to scale in cultivation, if any, owing to technological, pecuniary or risk-bearing-capacity reasons. Secondly, these policies should leave little room or justification to permit non-cultivators to own land without cultivating it since this would merely enable them to benefit from the windfall gains of technological change with no corresponding functional role left to them in cultivation.

The package of policies described above should suggest to the policy-maker the following two broad objectives to be achieved through redistribution of land — (a) putting the agricultural lands as far as possible in the hands of those who would cultivate them themselves, and (b) shaping the size-distribution of farms to get as many of the farms as possible close to but not much above the viable size of farm as indicated by the technology of cultivation sought to be promoted.[4] The second objective needs two supplementary comments. Firstly, a plausible commonsense argument can be constructed, as we do in a note at the end of the paper, to show that, given the assumption of land-saving technology, the viable size of farm in a region would be above the mode but, very likely, below the arithmetic mean of the size-distribution of farms prevailing in the region prior to technological change.[5] Secondly, given the scarcity of land, the policy-maker would obviously want to distribute the available supply among as *many* cultivators as possible subject to the constraint that a farm should not fall below the level of viability.

At first sight, these objectives of redistribution would appear to be the same as those met with in the previous section; the first objective calls for transfer of land-ownership from the landlord to the tenant and the second for transfer from the large owner to the small. It is, however, important not to miss the difference between the two sets of objectives in relation to the rationale underlying them and the criteria to be used in implementing them. Thus, the objective of no land to be held by non-cultivator derives its justification in this section from the consideration that it is best to distribute a scarce input among its users rather than allow part of it to go to non-users who would benefit merely from their title to its ownership without performing any identifiable function; the justification of the objective in the previous section was based on the apprehension that absentee-ownership of land in agriculture would reduce a sizeable section of population to a state of serf-like existence. Even more obviously, the redistribution of land from the large owner to the small being described here is the one guided by the criterion of viability of farm size and technologically effective use of land and not by criteria relating to fair income distribution; it is no more than a coincidence, though a fortunate one, that both the sets of criteria favour a more equitable distribution of land. The difference between the two sets of criteria should stand out sharply when one considers the case for semi-confiscatory transfer of land from the large owners. As we noted in the previous section, the current perspective on redistribution lends strong support to this case. In contrast, the approach consistent with the redistribution of land being considered in this section would be to compensate the large owner in terms of the appropriate non-land inputs so that the purpose of the redistribution, which is change in the combination of inputs on farms and not redistribution of wealth, is more likely to be achieved. It should, thus, be clear that, in the context of the alternative perspective, the criteria for redistribution of land need to be those which help promote effective use of a scarce input like land from the point of view of society; it would be best to separate this objective from that of ensuring equitable distribution of income and wealth and leave the latter to be taken care of through a separate set of policies.

The alternative perspective has two main implications for the type of programmes to be implemented for redistribution of land. Firstly, in the light of the rough and ready mode-mean rule of viable size of farm referred to above, the problems of *arithmetic* feasibility of redistribution must appear much less intractable in the context of the alternative perspective.[6] There is no gimmick in this since both the major assumptions made in this section — *viz*, diversification of the economy and land-saving technological change in its agriculture — have the effect of pushing redistribution of land closer to arithmetic feasibility, the first by relieving the pressure on land and the second by augmenting the effective supply of land. It is even possible that diversification and technological change affect

favourably the political feasibility of the programmes for redistribution of land in the sense of rendering them accomplishable within the present political-cum-administrative set-up of the economy. Secondly, the alternative perspective should widen the range of instruments available to the policy-maker to modify the distribution and use of land in agriculture. Increased monetisation, greater degree of sectoral integration in the economy, growing market-orientation of agriculture — all of which are the necessary and even inevitable accompaniments of overall economic development — and progressive institutionalisation of farm-services as a matter of deliberate policy should all contribute to the creation of an environment in which price and fiscal measures gain in efficacy to become close, if not better, substitutes for physical measures for control and regulation. Besides, as noted earlier above, the institutions and markets connected with land may also be expected to function more normally in the conditions of economy being assumed here. In the light of these, any suggestion that appropriate price-cum-fiscal measures may work as well as direct measures in regulating the distribution and use of agricultural land need not, in the context of the alternative perspective, have the same look of preposterousness as it had in the previous section.[7]

We conclude this section with a few comments on the broader significance of the results obtained. Firstly, any impression that the job of land reforms is rendered easier in the alternative perspective needs to be tempered by the realisation that this is due, partly, to the separation of the income-distribution objectives from those relating to distribution and use of land and, partly, to the more substantive role assigned to technological-cum-institutional policies in the arena of land. Secondly, so long as the perspective discussed in the previous section continues to co-exist with the plan objectives and policies as they stand now, the policy-maker will be open to the charge either of logical inconsistency or lack of faith in the achievement of the Plan. Thirdly, unlike the position in the previous section, the alternative perspective will become operationally relevant not necessarily at the same time in all the regions or on a day decreed by a legislative fiat but only as the assumed technological-cum-institutional conditions materialise; in some respects, the programmes for redistribution in the alternative perspective are likely to be akin to the present-day consolidation programmes in the mode of their implementation. Fourthly, if lack of political will is the main hurdle faced by land reforms in the current perspective, the villain of the piece in the alternative perspective is likely to be lack of luck or wisdom on the technological front. If the right technology remains long in coming, the opportunities for reforms would get proportionately delayed. More likely, if in the intervening period the wrong technology gets adopted for wrong reasons — e g, big tractors as status symbols — owing to the policy-maker's laxness, the opportunities would get aborted even before they arise; this could be already happening in some regions of "green revolution". Lastly, it would appear that in major respects the perspective on redistribution of land developed in this section is independent of the political route adopted for economic development. Given the initial state of the economy like India's diversification of the economy and land-saving technology in its agriculture should form the principal objectives of development under *any* political strategy of planning and, hence, barring socialisation of agriculture, the perspective of this section should retain some relevance in diverse political systems pursuing the same broad objectives of development.

IV
Scope for Redistribution: Some Neglected Issues

This section is in the nature of an aside on what appear to us to be fairly major deficiencies of concepts and procedures implicit in the current practice of looking at the scope for redistribution of land. It would be recognised that the common practice in this respect is to start with the ownership distribution of land prevailing in a region or a state and either calculate the surplus above a specified ceiling or go a step further and compare the surplus with the land needs of small holders and landless categories.[8] The results are, doubtless, expected to be no more than very crude indicators of the scope for redistribution and it is possible to suspect that such exercises are done more to emphasise the non-feasibility of redistribution than its feasibility. The purpose of this section is to try to show that the results could be a good deal worse than this in the sense of having little real relevance to the question of the scope for redistribution.

We hope the reader would excuse us for the classroomish kind of approach which is necessary to bring out clearly the deficiencies in the current practice that we have in mind. Let us assume that we have a rural community consisting of cultivators and non-cultivators, the latter being those who own land with no intention of taking up cultivation as an occupation. The land owned by the members constituting the community is assumed to consist of only two categories — "inside" land defined as land locationally close enough to the community to be capable of cultivation by any cultivator in the community and "outside" land defined as land which, owing to its distance, is accessible for cultivation to *no* member in the community; the obvious intermediate category of land is assumed out here for convenience. It is further assumed that the land leased-in by the cultivators in the community is wholly of "inside" type while the land leased-out could be of either type. An "outsider" is a member, cultivator or non-cultivator, belonging to another community. It is assumed that land which is "inside" from the standpoint of the community under consideration is "outside" land for every other community. A "region" is an aggregate of communities.

The next step is to list the land owned and the land cultivated by the members in the community according to its type and tenure-status. This is done below:

(A) *Land Owned by the Members in the Community*

"Inside" Land

a_1 — Land self-cultivated by owners;

a_2 — Land leased-out by cultivators to other members in the community; and

a_3 — Land leased-out by non-cultivators to other members in the community.

"Outside" Land

a_4 — Land leased-out to outsiders.

(Note: It needs to be noted that with the assumptions made above the tenants on "inside" lands are necessarily members belonging to the community and those on "outside" land are necessarily outsiders.)

(B) *Land Cultivated by the Members in the Community*

"Inside" Land

b_1 — Land self-cultivated by owners ($=a_1$);

b_2 — Land leased-in from cultivating members in the community ($=a_2$);

b_3 — Land leased-in from non-cultivating members in the community ($=a_3$); and

b_4 — Land leased-in from outsiders ($=a_4$).

(Note: In terms of the assumptions made, a member in the community cannot lease-in or cultivate "outside" land. Hence, land cultivated by the Members in the community = "Inside" Land.)

We are now ready to put to use framework of concepts and categories developed above. The principal point of this section is that the current practice of looking at the ownership-distribution of land in a region or state to estimate the scope for redistribution would make sense if the purpose were only to achieve a more equitable distribution of titles to ownership and nothing more. This single purpose, by itself, imposes no requirement that the person given land or permitted to hold land be a cultivator or that land be allotted only to those who are willing and able to cultivate it themselves. Given this single purpose, it is perfectly in order to measure the scope for redistribution even by taking the country as a whole as a single entity, as it is, say, for the purpose of redistribution of income. However, it is plain enough that no land-reformer would accept the restriction of objectives of land reforms to this single purpose. It is worth noting at this point that if the current practice of looking at the scope for redistribution has persisted despite the broader objectives of land reforms it is, plausibly, due to the fact that the perspective on redistribution described above in Section II — which, it will be remembered, views land more as generalised income and wealth rather than as an input — has become a habit of mind with not only policy-makers but also with researchers and with land-reformers themselves.

It is easy to see that supplementing the objective of equity in distribution of land with an objective such as elimination of absentee-ownership, as popular a sentiment among land-reformers as equity, would knock the bottom from under the current practice of measuring the scope for redistribution. In terms of the framework developed above, achievement of equity plus elimination of absentee-ownership would need redistribution of "inside" land (i e, cultivated land) among the cultivating members comprised in each community. Hence, the scope for redistribution needs to be assessed community-wise — not region-wise — by looking at the distribution of cultivated land among the cultivating members — and not distribution of land-ownership among the owners. It is, thus, seen that the current practice of measuring the scope for redistribution is inconsistent with the purposes of land reforms; the answers provided by the former do not relate to the questions raised by the latter.[9]

The second point that we want to bring out in this section relates to the inter-dependence between the objectives of equity in distribution and that of elimination of absentee-ownership. To see this, it is best to begin by noting that the latter objective, in strict logic, requires only that no person be permitted to own land without cultivating it himself. Let us assume that the redistribution for equity is to proceed in terms of a specified ceiling on ownership at the upper end and, also, a specified floor at the lower end. The interdependence between the objective of equity and that of elimination of absentee-ownership arises because the latter objective can be achieved in three alternative conceptually distinct ways with differing implications for the degree of equity obtainable through redistribution on the basis of specified norms. Firstly, absentee-ownership can be eliminated in a manner favourable to the tenant by permitting him to acquire ownership of leased-in land till his total ownership touches the ceiling, leaving the remainder to go to the landlord (if he is a cultivator) or to the pool of surplus land available for redistribution. Alternatively, elimination of absentee-ownership may proceed in a manner favourable to the owner by permitting him (if he is a cultivator) to retain leased-out land subject to the restriction of ceiling, leaving the remainder to go to the tenant wholly or in part, depending on the tenant's ownership, with the excess going to the pool. It will be recognised that the procedures adopted in the "tiller's day" or similar legislations intend to operate broadly in the first way, though, covertly, they may be operating in the second way. However, a point neglected by them is that elimination of absentee-ownership can be brought about in a third way, which may be termed favourable to those who are below the floor (this includes tenants and owners of leased land if they are below the floor), by including the entire leased land in the pool of surplus land.[10] It is easy to see that, given the ceiling on ownership, the total size of this pool — and, in turn, the degree of equity achieved through redistribution — will depend on which of the three ways (or some combination of them) is chosen by the policy-maker to eliminate absentee-ownership. It is in this sense that interdependence exists between the objective of equity and that of elimination of absentee-ownership.

The obvious implication of this interdependence is that the scope for redistribution needs to be measured after allowing for the extent to which and the why in which the absentee-ownership is going to be eliminated. For this purpose, one may either rely on the provisions of the prevailing legislation, if any, or develop alternative estimates of the scope by making suitable alternative assumptions. It is needless to add that this point and the consequent complications in estimating the scope for redistribution go unnoticed in the current practice of looking at the scope for redistribution. The main implication that we derive from the discussion so far in this section is that the programmes for redistribution would need extensive prior "feasibility studies" based on village-level (or group-of-villages

TABLE 1: INEQUALITY IN THE DISTRIBUTION OF LAND UNDER ALTERNATIVE ASSUMPTIONS ABOUT ELIMINATION OF ABSENTEE-OWNERSHIP OF LAND

Taluka	Lower Norm (acres)	Full Resumption		Partial Resumption		Non-Resumpton	
		Per Cent of Holding Below the Lower Norm	Average Size (acres)	Per Cent of Holding Below the Lower Norm	Average Size (acres)	Per Cent of Holding Below the Lower Norm	Average Size (acres)
Matar (Dist Kaira)	4.63	53.9	2.31	28.8	1.85	32.0	1.89
Nadiad (Dist Kaira)	2.32	71.9	2.00	43.8	1.79	47 9	1.91
Satara (Dist Satara)	4.19	50.9	2.33	31.8	2.18	35.1	2.34
Wai (Dist Satara)	3.26	61.0	2.29	41.7	2.05	41.7	2.08
Karjat (Dist Kolaba)	5.26	55.7	1.74	58.9	2.08	40.0	1.77
Panvel (Dist Kolaba)	4.82	73.3	1.18	75.9	2.28	50.2	2.04

level) data covering not merely the distributions of owned land and of cultivated land but also covering lease-relationships and the characteristics of parties involved in them. Some amount of playing with these data using alternative norms of ownership and assumptions about elimination of absentee-ownership would be worthwhile in terms of the insights gained into the operational implications for redistribution of the prevailing systems of ownership, cultivation and leasing of land. Our suggestion to researchers and research institutions is to enlarge the standard tabular output of general village surveys to include these data and the illustrative redistributions based on them.[11]

It was noted above that the termination of absentee-ownership of land can be brought about in three distinct alternative ways and that, to judge from the relevant legislation, the policy-maker's preference would appear to be for a combination of the first two of these ways to the exclusion of the third. It is tempting to speculate on the implications of this choice for the nature of the concept of equity which may be regarded as shaping the policy-maker's attitude towards the question of redistribution. While, strictly, these implications do not belong to this section, they seem to be important enough not to be put in a footnote. We read three implications in the policy-maker's choice. Firstly, the policy-maker's concept of equity seems to operate within the constraints imposed by his desire to respect the rights deriving from custom and property without going into their rationale or antecedents. Secondly, the concept of equity seems to be negative in its orientation in the sense that it is concerned more with curbing the manifestations of excessive inequity than with bringing equity within the reach of the population at large; the motto apparently is "Nobody shall own land above the ceiling" rather than "As many as possible of those below the floor". It is, probably, not a coincidence that this negative orientation affords maximum opportunity to the policy-maker to accommodate the rights deriving from customs and property. Thirdly, it looks plausible that the policy-maker's concept of equity lacks "democratic validation" in a specific sense; if the three alternative ways of terminating absentee-ownership were put to vote among the population affected/benefited by redistribution, it is unlikely that the policy-maker's present choice would get elected. Thus, the policy-maker's choice among the alternative ways of eliminating absentee-ownership of land seems to provide a particularly apt and illuminating illustration of the manner in which and the limitations with which the concept of equity works in practice — as constrasted with the radical overtones in which it is enunciated — in a "soft" democracy like India.

TABLE 2: INEQUALITY IN THE DISTRIBUTION OF LAND AFTER NOTIONAL REDISTRIBUTION ON THE BASIS OF ASSUMED NORMS

Taluka	Lower Norm (acres)	Redistribution After Full Resumption		Redistribution After Partial Resumption		Redistribution After Non-Resumption	
		Per Cent of Holdings Below Lower Norm	Average Size (acres)	Per Cent of Holdings Below Lower Norm	Average Size (acres)	Per Cent of Holdings Below Lower Norm	Average Size (acres)
Matar (Dist Kaira)	4.63	17.3	3.07	—	—	15.7	2.24
Nadiad (Dist Kaira)	2.32	42.5	2.24	7.0	1.85	10.8	1.88
Satara (Dist Satara)	4.19	48.0	2.88	28.9	3.02	27.5	2.59
Wai (Dist Satara)	3.26	37.0	2.67	5.7	1.37	41.7	2.59
Karjat (Dist Kolaba)	5.26	—	—	—	—	—	—
Panvel (Dist Kolaba)	4.82	50.0	1.83	46.2	1.61	50.2	3.28

Note: Dashes in the Table indicate zero inequality in the sense of no holding falling below the lower norm.

We conclude this section with a brief indication of some relevant findings obtained in a research project recently completed in the Department of Economics, University of Bombay. The field investigation of the project covered 36 villages selected equally from six talukas located in three districts — districts Kolaba and Satara in Maharashtra and district Kaira in Gujarat. For the purpose of the project, the analysis of inequality in the distribution of land was done at the village level. While, as was noted earlier above, village is not necessarily the most appropriate unit of analysis for this purpose, the results of the analysis could be of some interest to the readers who feel persuaded by the main arguments of this section. The detailed results of the analysis, along with an indication of the numerous difficulties of concepts and data met with in the process, are contained in chapter 6 of the report cited in note 11. It should suffice here to mention the two broad findings of the analysis which were: (a) the principle of "land-to-the-tiller" — i e, transfer of leased land from the owner to the tenant on the land — by itself would bring about only moderate reduction in the inequality in the distribution of land, and (b) in 24 out of the 36 selected villages redistribution of land would be arithmetically feasible.[12]

The second set of findings to be reported here arise from some further work with the project data subsequent to the completion of the project. This work was based on the taluka-wise tabulations of data (presenting the aggregate picture of the six selected villages in each taluka) and, hence, the findings are neither village-wise nor do they relate directly to the data in their primary form. The findings are presented in three Tables (given at the end of this section) along with brief comments on each Table. For the purpose of this analysis, the norms for redistribution were defined in terms of the average size of cultivated holding in each taluka, the upper norm used being three times the average and the lower norm used being half of the average.

The proportion of total holdings falling below the lower norm and their average size of holding are used by us as indicators of inequality in the distribution of land. Table 1 provides a rough comparison of the implications for inequality in the distribution of land of the alternative ways of terminating absentee-ownership. The available data restricted the choice to very simple alternatives and, hence, the results are no more than of illustrative significance. The alternatives considered are — (a) "Full Resumption", leased land to remain with the owner; (b) "Partial Resumption", leased land to remain with the owner if the owner is a cultivator and to be transferred to the tenant on the land in the contrary case; and (c) "Non-resumption", leased land to be transferred to the tenant on the land. It can be seen from the Table that the first alternative comes out badly in comparison with the other two. This is, very likely, due to the tendency of the distribution of owned land among ownership-holdings to be spread out over a wider range of size-classes than the distribution of cultivated land among cultivated holdings. While no consistent difference is seen as between the second and the third alternative, the latter — "Non-resumption" — appears to have an edge over the former — "Partial Resumption" — in the light of the conditions obtaining in Karjat and Panvel talukas.

TABLE 3: INEQUALITY IN THE DISTRIBUTION OF LAND AFTER NOTIONAL REDISTRIBUTION WITH DUAL CEILINGS

Taluka	Lower Norm (acres)	Per Cent of Holdings Below the Lower Norm	Average Size (acres)
Matar (Dist Kaira)	4.63	3.9	4.54
Nadiad (Dist Kaira)	2.32	—	—
Satara (Dist Satara)	4.19	27.5	3.30
Wai (Dist Satara)	3.26	41.7	2.62
Karjat (Dist Kolaba)	5.26	—	—
Panvel (Dist Kolaba)	4.82	50.2	3.39

Note: Dashes in the Table indicate zero inequality in the sense of no holding falling below the lower norm.

It needs to be mentioned that in each of the distributions considered in Table 1, scope existed for redistribution in the sense of existence of holdings above the upper norm of ownership; as may be expected from what was said above, their proportion was slightly higher under the first alternative as compared to the proportions under the other two alternatives. Table 2 shows the inequality remaining in each distribution after the land held above the upper norm is transferred to the holdings below the lower norm. The procedure adopted for this purpose was to move downwards in the listing in which the groups falling below the lower norm appear in ascending order of their deficit.[13] It is necessary to note that with this procedure (and given the grouped nature of available data) the lessening of inequality in distribution is reflected either in reduction in the proportion of holdings below the lower norm (with no specifiable change in their average size) *or* increase in the average size of holdings below the lower norm. While Table 2 does not abound in consistent and sharp contrasts, it would seem reasonable to conclude from it that the residual inequality remaining after redistribution is likely to be relatively large under "full resumption" and small under the other two alternatives, particularly under "partial resumption". On the whole, the results of Tables 1 and 2 together seem to provide a measure of justification for the policy of "land-to-the-tiller" in terms of its impact, along with programme for redistribution, on the inequality in the distribution of land. Since these results are conditional upon the norms of ownership and measure of inequality used in our analysis (both of which can be specified in many alternative ways), it is best not to read more than this cautious inference in Tables 1 and 2.

It will be noticed that the alternatives considered in Tables 1 and 2 for termination of absentee-ownership are favourable either to the owner or to the tenant. Table 3 presents the results of tilting the balance a little in favour of the holdings below the lower norm. It is assumed for the purpose of this Table that the owner is not permitted to resume leased land and that the tenant gets ownership of leased land if and to the extent that his self-cultivated land is less than twice the average size of the cultivated holding in the taluka. This, in effect, amounts to imposition of two ceilings — the upper norm specified earlier above (= three times the average size of cultivated holding in a taluka) applicable to self-cultivated land of a cultivator and the lower ceiling, specified now, applicable to the transfer of leased lands to the respective tenants; hence, the term "dual ceilings" in the title of Table 3. The difference in the inequality remaining after redistribution as between Table 3 and the "Non-resumption" column of Table 2 provides a rough indication of the potential for equity left untapped by the policies of "land-to-the-tiller". It may be mentioned here that, as a consequence of the dual ceilings, between 7 per cent and 17 per cent of leased land in the different talukas got added to the pool of surplus land.

The purpose of the findings reported in the last few paragraphs is only to illustrate the types of detailed and disaggregated analyses needed if the scope for redistribution is to be measured consistently with the attainment of other objectives of land reforms. They should provide helpful clues to researchers regarding the problems of concepts, procedures and data that are likely to arise in the process of measuring the scope for redistribution. While detailed and extensive findings on the scope, by themselves, need not bring redistribution programmes any nearer to implementation, they should at least serve to map out the context and to verify its conformability with these programmes. Unless this is done, it would be difficult to distinguish the blue-prints for castles in the air from those which promise less alluring but more habitable abodes on the ground.

Notes

1 By the term "quality of access to land" we mean the well known differences among owner, tenant and agricultural labourer in relation to security of access and the nature of income it provides.

2 Let us distinguish between the perspective on a policy and the detailed strategies and tactics needed for the implementation of the policy. It would seem reasonable to require that the perspective on a specific policy be consistent with the objectives and goals of other policies in the plan leaving the contingency of their non-realisation to be covered by the strategies and tactics of the policy under consideration.

3 This appears plausible since under the conditions assumed in this section the labourer and tenant may be expected to have a fairly high reserve-price when they bargain for access to land as compared to their position under the conditions considered in the previous section.

4 By a farm of "viable" size we mean the farm which a typical family can cultivate at the required intensity depending primarily on its own labour. A land-saving technology worth the name should provide incomes well above the subsistence level on such farms. If these incomes fall below the income of comparable categories in other sectors of the economy, the corrective policies needed will be those which impinge directly on terms of trade of agriculture and/or on the totality of resources used in that sector.

5 It appears plausible that the prevailing size-distribution of farms is, usually, a markedly positively skewed distribution with a sub-

stantial difference between the mode and the arithmetic mean of the distribution and with about two-thirds or more of the total farms falling below the arithmetic mean. Let us consider the following categories of farms in the distribution.

Category A — Farms falling below the mode of the distribution

Category B — Farms located at and around the mode

Category C — Farms located at and around the arithmetic mean

Category D — Farms above the arithmetic mean.

Let us now ask ourselves which of these categories is likely to have viable size, in the sense defined above, under the prevailing technology. It would appear that we can confidently rule out categories A and D, the first on the ground that the families comprised in it are likely to have cultivation as a secondary occupation and the second on the ground that the category D farms are likely to be those relying primarily on hired labour or on labour-substituting type of mechanisation. By definition, the bulk of cultivating families fall in category B. Most of these are likely to have cultivation as the main occupation with farms smaller than the viable size but not small enough to reduce cultivation to the status of secondary occupation to them; in other words, the mode of the distribution is likely to be below, but not much below, the viable size. Two things need to be noted regarding the remaining category, *viz*, category C — the size of farm in this category is likely to be substantially larger than the mode and these farms, plausibly, belong to the upper 7th or 8th decile-groups of farms. Both these considerations suggest that their size is unlikely to be below the viable size. It, thus, looks plausible that the viable size of farm under the prevailing technology lies between the mode and the arithmetic mean of the present size-distribution of farms. This proposition should be all the more plausible if we assume that the prevailing technology is replaced by a land-saving technology.

6 If the mode-mean rule is valid, redistribution of land is necessarily feasible so long as it is restricted to present cultivators, including tenants cultivating leased-in lands and agricultural labourers having cultivation as a secondary occupation. Additionally, the difference between the viable size and the arithmetic mean of the distribution would provide further scope to accommodate at least a part of pure agricultural labourers in cultivation.

7 Conceptually, the redistribution of land being considered in this section has the same end-results as could be achieved by imposing on owner-cum-users of agricultural land a set of shadow prices on inputs used in cultivation, including a price on land high enough to reflect its relative scarcity from the social point of view.

8 For a recent instance of such calculations, though based on the size-distribution of cultivated holdings, see "Poverty in India", Dandekar and Rath, Indian School of Political Economy, Poona, 1971, pages 68 to 86, particularly, Tables 5.2 and 5.3. Incidentally, the Dandekar and Rath argument together with their summary of policy pronouncements on ceiling on landholdings provides relevant reading material on two issues referred to in the previous section of this paper, *viz*, (a) tendency to view ceiling on holding as a ceiling on income and wealth, (b) the "non-feasibility" hypothesis for failure of redistribution programmes.

9 The framework used amounts to assuming, in effect, that communities along with their "inside" land are concentrated at distinct points with no overlap with each other. This assumption helps in clarifying the point that we have in mind without introducing any irrelevant complications. However, the communities in real world obviously have overlaps and, consequently, the operational definition of "community" for the purposes of redistribution would hardly be an easy task. In particular, it cannot be lightly assumed that "communities" can always be equated with villages as they now stand demarcated from each other. It may be mentioned here that the restrictions on redistribution implied by the framework would continue to hold so long as the intention is not to relocate the population over a broad region, like a state or the country as a whole, to match the need for land with its availability.

10 The case for this third way of eliminating absentee-ownership may not be as absurd as it may appear at first sight. One can argue as follows in its favour. Barring an owner, even if he be a cultivator, from resuming leased land may be justified by treating the fact of lease as an evidence of the concerned land being either in excess of the owner's need or inaccessible to him for cultivation. The tenant's case, which appears unassailable in terms of both principles and logic of land reforms, may not remain so if one begins to look into the manner in which the lease market allocates the land available for lease among those desirous of leasing-in land for cultivation. The tenant's case would be strong if it can be assumed that this market has always worked fairly in the past in the sense of putting leased lands in the hands of those with relatively more pressing need for land as judged by the criterion of equity. This would, however, appear to be a wholly gratuitous assumption to make for two reasons. Firstly, it is inconsistent with the general presumption that the markets connected with land tend to operate inequitably. Secondly, unlike ownership and leasing-out of land, curbs on who may lease-in land and on the extent to which land may be leased-in never appear to have figured in the ideas and programmes of land reforms. It is, hence, an unlikely coincidence that the distribution of leased lands among the tenants made by the lease market conforms to the distribution given by the rationing out of leased lands on considerations of equity. It would appear to be a curious lacuna in the current ideas on land reforms that they wholly neglect the possibility of divergence between these two distributions. It is easy to see that the acceptance of this possibility should weaken the basis of the principle of "land-to-the-tiller".

11 Such data should also have the effect of encouraging a more open-minded analysis of structure and functioning of lease market. See "Structural Features of Village Lease Markets" (chapter 7 in "Evaluation of Land Reforms", M L Dantwala and C H Shah, Department of Economics, University of Bombay, 1971).

12 The norms used in this analysis were defined in terms of the per capita ownership of land in the village with the lower norm equal to half of the per capita ownership and the upper norm equal to three times the per capita ownership.

13 The alternative procedure of moving upwards in the list entails some complications. The discerning reader would not fail to notice that the two procedures imply different strategies to tackle the problem of poverty and that the choice between them is hardly an easy one. It is needless to add that the distinction between the two procedures and the consequent problem of choice vanish if the surplus is sufficient to fully cover the deficit.

Window Glass

WINDOW GLASS, for the first time, has made a trading profit of Rs 9 lakhs which has been utilised to bring down the accumulated deficit to Rs 19 lakhs. Depreciation for the year amounting to Rs 5 lakhs has not been provided for, nor has any development rebate reserve been created for all the years in the absence of taxable income. Also, provident fund dues could not be paid within the time limit prescribed under the Companies Act. The gratuity liability too has not been ascertained. Sales increased from Rs 47 lakhs to Rs 90 lakhs and a substantial portion of the increase was accounted for by exports.

Notes on Farm Size and Productivity

Krishna Bharadwaj

In this paper the author revisits the debate on the relationship between farm size and productivity with a view to illustrating an approach based on some broad characteristics of rural markets and the nature and extent of participation therein of different groups of peasantry.

A large number of studies have examined the hypothesis of the inverse relation between farm size and productivity and suggested a number of explanations, mostly resting on the logic of production decisions in competitive situations.

Using data from the published farm management studies carried out in West Bengal, Bombay, Madhya Pradesh, Punjab, Uttar Pradesh and Madras, we examine the explanations already advanced and suggest how the relation between utilisation (and productivity) of inputs and farm size could be interpreted in terms of the unequal and diverse nature of market involvement of different groups of peasantry.

The analysis carried out here is merely suggestive of certain hypotheses and the approach is presented only in a rudimentary form. Much more comprehensive data and of a different kind would be needed to develop these hypotheses and to test them.

I

Introduction

1.1 THE publication of the "Studies in the Economics of Farm Management" has been followed by considerable research on problems of production and resource allocation in Indian agriculture. Much of the work is set out, explicitly or implicitly, in terms of conventional economic theory of competitive markets, treating the cultivator and his problems of resource acquisition and utilisation on the analogy of a producer of a competitive firm. To cite some common research endeavours: production functions, popularly of the Cobb-Douglas variety, expressing output as a function of land, labour and material inputs are fitted to cross-sectional data on holdings. Comparisons are then made between the marginal productivities of inputs derived from such fitted functions and the market prices of the respective inputs, in order to draw out inferences about efficiency with which resources are utilised.[1] A question commonly posed, for example, concerns the optimality of labour use, judged on the basis of whether or not the derived marginal productivity of labour equals the market wage rate. Some awkward problems arise when inputs are owned, like family labour, land or bullock labour. Attempts to impute market prices to such inputs have resulted in the majority of cultivators showing persistent net losses. This 'baffling' result has led to controversies as to whether it is the imputation of wages to family labour or of rent to owned land that explains the result!

1.2 Even when the researcher recognises the inadequacy or irrelevance of some specific assumptions like profit maximisation or mobility of resources guided by freely fluctuating prices, he is prone to tinkering with only those specific parts of the competitive model, keeping undisturbed the rest of the framework. Thus he may introduce imperfections in the form of monopoly (or monopsony) elements in specific markets, say the land lease market while other markets continue to enjoy their well-behaved status.

1.3 The analytical challenge emanates however from the interactions of varied institutional forms prevailing simultaneously in the agrarian economy. These interactions are not only influenced by the prevailing market situations but certain characteristics of markets develop because of the simultaneous existence of these different forms. Thus in a situation where capitalist farming is emerging out of a semi-feudal agriculture, the co-existence of both the modes shapes the labour market (e g, the availability of employment, the nature of labour contracts) while the characteristics of labour market itself influences the form and process of transition. The 'market' situations that develop are too complex to be treated merely as deviations from or imperfections of a competitive economy. Both the character and functioning of markets are qualitatively different and particularly complex in semi-feudal agriculture where the more powerful sections of the society exercise power through privilege as well as through the functioning of the markets.

1.4 In this paper we revisit the debate on the relation between farm size and productivity with a view to illustrating an approach based on some broad characteristics of rural markets and the nature and extent of participation therein of different groups of peasantry. A large number of studies have examined the hypothesis of the 'inverse' relation between farm size and productivity and suggested a number of explanations, mostly resting on the logic of production decisions in competitive situations.[2] Using data from the published farm management studies (hereafter referred to as FMS) carried out in West Bengal, Bombay, Madhya Pradesh, Punjab, Uttar Pradesh and Madras, we examine the explanations already advanced and suggest how the relations between utilisation (and productivity) of inputs and farm size could be interpreted in terms of the unequal and diverse nature of market involvement of different groups of peasantry. The analysis carried out here is merely suggestive of certain hypotheses and the approach is presented only in a rudimentary form. Much more comprehensive data and of a different kind would be required to develop these hypotheses and to test them.

1.5 In the following section we indicate, rather broadly, some features of market relations which not only violate the competitive premises but raise serious doubts against attempts at partially modifying the competitive assumptions only in specific markets. In section III we point out some features of the FMS that seriously delimit their usefulness to adequately illustrate our approach. In the subsequent sections IV, V and VI we examine closely the farm size and productivity issue.

II

'Market' Relations and the Agrarian Economy

2.1 The complexity of the network of market relations within which production decisions are taken in an agrarian economy becomes evident when we contrast them with the competitive premises: under the competitive framework while markets are interlinked, this

is so only through prices. Each producer decides on the use of a resource — owned or purchased — by treating its market price as an opportunity cost. Thus the cultivator, it is presumed, decides whether to put in more labour on his family farm or to hire himself out by comparing the net return from working on the farm with the wage rate (see below V). In the long run, each producer has open to him the possibility of buying or selling any particular resource in indefinite amounts at the prevailing price. Under a regime of complete mobility of resources and profit maximisation, with a well-behaved technology, every resource will have, in equilibrium, the same marginal value productivity in all uses, which equals the market price of the resource. (This underlies most resource allocational models; e g, see Hopper [1965].) The market does not discriminate between producers and decisions of the participants are linked by the purely impersonal forces of prices. Each producer decides on the basis of relative prices and his own budgetary constraint what best to produce and how. One important feature of decision-making is that any choice made by the producer in any one, factor or product, market does not directly influence the field of *feasible* choices open to him in any other market. (This assumption is significantly violated, as we see in 2.4 below, by the rural markets.) The actual choices that the producer ends up in making are, of course, linked through the prices he faces. For example, the producer's *feasible* production possibilities are defined for him independently of the *feasible* choices open to him, say, in the credit market. His *final* decision in production is certainly linked with the choice he makes in the credit market, through the credit operating on his resource constraint.

2.2 These competitive assumptions are violated in a fundamental way in the agrarian economy where the extent of market penetration and the character of markets is very different. While markets have penetrated into the rural economy in a significant manner, the *extent* and *type* of involvement in markets of the different sections of the peasantry is not uniform. The character of markets reflects — and is very significantly determined by — the local patterns of power. At the same time, the functioning of the markets itself may be such as to reinforce the patterns of power. The situation may be roughly sketched as follows: The initial resource position defines the 'bargaining position'[3] of the participants in the various markets. The relative bargaining strength (reinforced by forces of tradition, custom, social mores) determines the access to resources, the terms on which they can be obtained and the fields of feasible choices open to the individual producer in the various markets; or, in short, his current production activity and income-assets position resulting therefrom. This, in turn, defines his relative bargaining position subsequently. We elucidate this further.

2.3 We may distinguish, broadly speaking, three types of market involvements that may emerge, depending upon the economic position of the participant and his bargaining strength. There is, first, the category of operators with a clearly dominant position like the big landlord in the land (lease) market or the money-lender in the credit market. These operators are powerful enough to be able to exploit the market from a position of vantage and, more importantly, shape the market relations through contracts which interlock markets (see below 2.4). Secondly, we can envisage the category of the economically very weak sections of the peasantry, landless agricultural labourers, very small owners or tenants (called by us 'very small' farmers), all of whom have a rather weak bargaining position in markets. Yet they cannot avoid involving themselves in market operations. For example, as they do not have enough land to cultivate, they have to depend upon hiring out their labour and submit to the vagaries of the labour market (see below V). Given the uncertainty of employment they often lease-in a tiny plot of land, even on extremely onerous conditions. Not having enough circulating capital to produce even their subsistence they have to rely on credit. We shall indicate below how this element of compulsive involvement of the poorest farmers is reflected in their cropping pattern, their land and labour utilisation as well as the higher degree of monetisation of inputs and outputs under conditions of distress. The third category of peasants falls between these two: while not powerful enough to exploit or dictate market relations like the big operators they can be somewhat more self-reliant. They have or can make provision for more or less adequate circulating capital, possess bullocks or implements of their own. A part of them (whom we call 'small' farmers) still want to protect themselves from the market, playing yet a defensive role. Another part may be more comfortably situated and may be playing the market game with some advantage. In fact, if at all the competitive game of balancing costs and returns in determining crop-mixes and methods of production is played by any section of the peasantry, it could be this last group which we call 'middle' farmers. We shall be arguing in Section IV below that the economic status of the cultivating household and the nature and extent of its market involvement influence the degree of land utilisation, the cropping pattern, the level of employment and so on.

2.4 It may be argued that the differential bargaining position of the participants in any particular market may be fitted into the conventional models of monopoly or monopsony. What does complicate the analysis, however, is the fact that markets become interlocked through price and non-price links, given that market and social power is vested in the dominant rural classes and that the dominant party often combines multiple functions, enjoying a superior position simultaneously in a number of markets.[4] When a landlord combines the functions of a lesser and a merchant, the terms of the lease are not only themselves quite stringent (given his position *vis-a-vis* the tenants in the lease market) but quite often include stipulations as to what crops the tenant ought to grow and the mode as well as terms of rent payment. For instance, he can dictate the rent to be paid in kind and the time of payment. Thus the tenant's involvement in the lease market restricts his freedom to exercise choice in production (in terms of the crops to be produced) and/or in the output market (to whom and when to sell the produce). If the landlord also possesses land under personal cultivation, it is not unusual for him to extract underpaid or unpaid services from the tenant (or his dependents) on his own land and at a time he stipulates (more commonly in the busy season). Thus the decision to enter one market restricts the weaker participants' field of feasible choices open to him in other markets — a situation violating one of the competitive premises (see 2.1 above). Such interlocking of markets increases the exploitative power of the stronger sections because while there could be limits to exploitation in any one market — due to traditions or conventions — or due to 'economic' factors, the interpenetration of markets allows them to disperse exploitation over different markets and phase out exploitation over

time as well. Thus there may be a traditional or conventional limit beyond which a landlord cannot exploit his monopoly position in the land market in terms of the share of output owing to him under a crop-sharing system. Also he may possibly fear that if the tenant is left with too small a share at any time, he may not put in as much of his own (labour or other) inputs as he would under slightly favourable conditions. If the landlord also functions and/or enjoys monopoly advantages as a money-lender or a merchant he could then so work out the conditions he offers on the interlocked markets that he secures additional gains from exploiting in the conjoint markets. Thus the ability of the combined functionary to exploit interlocked markets is more than what he could achieve operating in any one individual market. The point about such interlocked markets is that the weaker party's fields of feasible choices shrink while, superficially, he would appear to be taking free decisions on the market.

2.5 Furthermore we cannot presume that all farmers are profit-maximisers irrespective of their economic status. In fact, we may not even presume that there are objectives of production defined *a priori* and uniformly applicable to all producers. The objectives of production themselves depend upon the resource position of the farmers and different farmers may presumably maximise (if maximisation is to be considered a universally applicable behavioural premise at all) profits or gross output or "farm business income" (i e, gross revenue minus paid out costs); some may be governed by the need to raise subsistence. As we note below (see VI) very small farmers may "choose" to raise as much gross value of output as possible per acre, even at the cost of having to incur debts to provide circulating capital; they may be found operating land intensively even to a point where the additional input costs exceed the value of additional output. On the other hand, the big farmers, while aiming to produce a surplus, may yet prefer not to cultivate land intensively for a number of reasons including possibly the existence of opportunities for making profits or for wielding social power through non-farming activities like say, usury.

2.6 These are only illustrative examples to indicate that, to be meaningful, an analysis of the agrarian economy would have to take note of these market and non-market relations, with the interlocking of markets. It is misleading when talking about individual producers to hypothesise that each producer confronts technical data and market prices in an impersonal environment and all are equally free to take decisions in all markets. Nor is it possible to analyse the producer's behaviour in any one single market without knowing how the markets are linked through price and/or non-price links. A comprehensive study to cover these aspects would call for detailed information in a historical, specific context about the agrarian economy under study.

III

Limitations of FMS

3.1 Given the issues on which agro-economists have been particularly engaged, the collection of data has come to concentrate predominantly on aspects of technological relations. This is well illustrated by the FMS, where aspects of production other than technological receive much less emphasis. For example, we obtain only cursory information on, say, tenancy. In the FMS, the proportion of land leased-in to land operated is taken as an index of the level of tenancy. Insofar as tenurial arrangements assume very many diverse forms in the matter of conditions of work, permanence of tenure, sharing of inputs, etc, the consequences of the variegated forms of arrangements escape our analysis. Land is, in fact, leased in by operators at all levels and unless we take account of the terms and conditions of the lease, it would be misleading to assess the effects of differences in tenurial status on economic performance on the basis of the proportion of area leased-in alone. Furthermore, in order to analyse the element of 'bargaining strength' in lease-arrangements, it would be necessary to know the overall resource position of the lessor as well as the lessee. In other words, a two-way information on *who leases from whom* would be significant. Unfortunately such information is conspicuously absent in most empirical studies, even in those dealing with the problem of tenancy. Also, the lease-arrangements, it is commonly known, involve interlocking of markets, as described in 2.5 above, (especially labour and credit links). We have no information at all on these.

3.2 The FMS has adopted the size of operational holding as the ultimate unit in its sampling design. Size of holding may suggest itself as such a unit as official and other records are available on that basis and a holding is a relatively easily identifiable unit of reference. Land has also come to be viewed as a major 'limitational' input to which other inputs are applied. The choice of land-size as the basis of the sample (as well as arrangement and presentation of data according to size-groups) has meant underplaying of other aspects like the tenurial status, the size of investment on the farm or the scale of output, etc, which could have provided alternative ways of classification.[5] Further the concentration on technological relations on each holding taken as an independent unit means that there is hardly any information on property relations or even an indication as to what non-price links may prevail in the agrarian economy. Thus for illustrating our hypotheses discussed in II above, we have to seek only indirect evidence: we can at best only suggest that the 'observed' technological relations may be interpreted as reflecting the different character and extent of market involvement of the different sections of the peasantry, classified here according to the size of the operational holding. Basing such a classification only on the size-group of holding is no doubt restrictive.

3.3 In this paper we have used the data published in the FMS reports which are available as aggregated according to size-classes of holdings. This is bound to affect some results more than others. Classifying information on the basis of size-classes has the implication that the characteristics of an individual farm under study depend predominantly on its belonging to a certain size-group. This could be a serious shortcoming but it is not possible *a priori* to state any particular type of bias that may arise. Again the years of reference, 1954-1957, are prior to the emergence of the so-called 'green revolution' in India. It is possible that production relations have changed in their technological aspects as well as in terms of property relations, at least in some regions.

3.4 In the following section we discuss what could be considered as 'technological' aspects of the farm-size-productivity debate and examine some of the explanations offered. We conclude that the inverse relation between yield (gross value of output) per acre and the size of farm which appears to be not ruled out statistically may be explained in terms of differences in intensity of cultivation and in cropping pattern. These are not any new results although the cropping pattern appears to have received much less emphasis in

current literature. However in sections V and VI we offer some suggestive hypotheses as to how specific resource availability, the characteristics of market relations and market involvement of different groups of farmers may themselves bring about these differences in intensity of cultivation and cropping pattern.

IV

Yield Per Acre and Farm Size

4.1 One proposition that attracted considerable notice and has continued to recur in discussions is the alleged inverse relation between yield (i e, gross value of output) per acre and the size of holding. Even if such an inverse relation holds, based as it is on a static, cross-sectional comparison, it does not provide sufficient basis to judge the relative growth potentialities of the different size-groups nor to predict the further patterns of size distribution that might emerge. Also, the comparisons of efficiency are based upon the productivity of an isolated input, land, treating it implicitly as the only limitational input. Despite these limitations the inverse relation acquired significance as it provided ground for some to argue that the small farmers were superior to large ones on purely economic grounds.

4.2 The statistical finding itself has not had a smooth sailing. The controversy about its validity has acquired some history which we shall not detail here.[6] Taking the size-group data, we fitted a log-linear functional relation between yield per acre and the average size of holding for each district and for the three years. While in all the cases the regression co-efficient appeared with a negative sign, suggesting an inverse tendency, it was not significant in all cases. In their more recent studies, Saini (1971) and Saini and Bhattacharya (1972) using data on individual holdings reported stastically significant inverse relation in the majority of cases they studied. Thus the inverse relation, while not supported invariably, is not rejected either. A number of explanations have already been advanced.

An adequate 'explanation' is important not only for policy formulation but also for assessing the future possibilities — whether the productivity differentials are a characteristic that could persist, making the small peasant family farms a historically viable form (and possibly a relatively 'efficient' one) or whether their relative 'advantage' rests on a specific conjuncture subject to change or whether it is more of a static reflection of the economically vulnerable position of the small operators. We shall examine the issue here at the level of technological relations behind which may be a more complex network of agrarian market relations, to be commented upon in the next section.

4.3 Explanations that have been advanced fall mainly into one or the other of the following three categories:[7] (a) differences in techniques, the small holders using technically superior methods of production, (b) qualitative differences in factor endowments: either land or labour on small farms is intrinsically of a superior quality, (c) more intensive application of other inputs like labour, bullock power or irrigation. These are not strictly mutually exclusive categories and the overlap is particularly evident when one tries to identify each empirically. Thus if 'technique' is identified with a vector of inputs then the distinction between (a) and (c) vanishes. To avoid this, we may here interpret 'technique' as associated with a particular type of productive equipment and hence differences in techniques as different types of productive equipment in operation. Attitudinal differences (such as diligence and interest in work), if present, should be reflected in one or the other of these factors. Whether the difference is in matter of risk-taking or entrepreneurial ability or quality of management, it should ultimately reflect itself either in the adoption or otherwise of better techniques or in willingness or otherwise to apply inputs intensively. Thus while the attitudinal and behavioural factors could at best be hypothesised as underlying forces, the proximate factors with which productivity can be linked will come under (a), (b) or (c). If higher value productivity on small farms could be ascribed to superior techniques, it would provide basis for asserting that small farms are progressive and the relevant question about future possibilities would be whether their relative advantage would continue within the specified horizon. If it is due to qualitatively superior inputs, the question to raise would be about the process that explains the concentration of the better quality inputs on small farms and whether the process would continue. If, on the other hand, the explanation is to be found in intensive application of other inputs, the question would be why it is so and whether it would be considered efficient or not.

4.4 If 'superior technique' is to be interpreted as better quality or 'technologically advanced' inputs, the present FMS data do not favour the small operators on that ground. If anything, 'modern' equipment (which had made little headway in this period) is concentrated on larger holdings. There is, however, a stronger statistical ground for questioning this hypothesis. Taking the per acre yields (in physical units) of individual crops we carried out regression exercises to test the inverse relation between yield per acre and size of holding. We found that in the majority of cases there is no significant or systematic relation between the two.[8] In some cases the scatter showed such a relation only in parts (e g, dry bajri in Bombay, irrigated bajri in Nasik, pulses in West Bengal, irrigated and unirrigated wheat in UP, cotton and jowar combinations in MP) while in some others (e g, irrigated wheat-gram and cotton in Punjab) we noted a significant positive relation between yield per acre and the size of holding. If indeed the smaller holdings were characterised by 'superior technique' it should have been reflected in a productivity advantage in regard to individual crops as well. That it is not, goes against this hypothesis.[9]

4.5 Our result concerning individual crops raises the problem of reconciling these results with the inverse relation which appears not ruled out when the total yield in value terms is considered. The explanation may be found in the small operator's use of crop mixes and/or intensive use of land in the form of double-cropping such that he derives *higher gross yield per acre.* In the case of individual crops the area actually sown is reckoned so that the intensity of cropping cannot enter into productivity comparisons. That, in the case of the total *value* of crops, the inverse relation weakens when productivity is measured per *gross* cultivated acre rather than per net acre suggests that higher intensity of cropping on smaller farms is a contributory factor.

4.6 As for the qualitative differences in lands, some evidence can be found which suggests that smaller holdings could constitute better quality land. Again, it is analytically necessary, although in practice difficult, to separate between qualitative differences and those arising from application of fertility-augmenting inputs. Before we proceed, however, we must clear up a possible objection: It might appear that the 'superior land-quality' hypothesis should be rejected on the same ground as 'superior technique' hypothesis, namely, that systematic fertility differences over the holding sizes ought to have been reflected in a systematic inverse tendency between land productivity and size of holding in the case of individual crops as well. This however may not necessarily be true. For, to the extent the choice of crops is dictated by the quality of soil, the quality differences would be reflected more predominantly in cropping patterns.

4.7 Some evidence is available, for instance, in the Bombay Report, which indicates 'intrinsic' soil differences. Land is classified by types of soil — deep, medium and light. The percentage of area with deep and medium soil is noticed to be higher in the case of small holdings and lower on the larger holdings. Again, the proportion of area 'uncultivated' is higher on larger holdings.[10] This is also noticed in other *regions.*

4.8 If indeed the smaller holdings are characterised by a superior quality of land, how do these quality differences come about? An *a priori* argument was advanced by Sen (1964) in terms of population dynamics. Starting notionally with a situation where there are lands of equal sizes but of different qualities, operated by families of uniform size, Sen visualised a process by which higher per capita income on more fertile lands leads to larger sized families and thence to a more rapid fragmentation of such lands so that eventually better quality land gets parcelled into smaller units. It is not possible to test these hypotheses directly, based as they are on a dynamic process. The argument has certain weaknesses: First of all, it relies upon the Malthusian link between income and family size and then between a certain level of per capita income and fragmentation. Furthermore, it does not allow for members of the family seeking out alternative employment opportunities outside the farm.

4.9 An alternative explanation offered by Bhagawati and Chakravarty (1969) argues that when the relatively small operators are forced by circumstances to resort to distress sales to bigger landholders it is the poorer quality of land that is transferred, the former retaining the better quality land. It may be noted that, whether the associations between small farms and better land is due to fragmentation, *a la* Sen, or due to distress sales, the process giving rise to it holds no promise for economic betterment of the small farms nor does it reflect any progressive characteristics.

4.10 A possible explanation in terms of tenant-landlord relation may be suggested here. (For reasons already noted, the FMS data do not allow us to examine the hypothesis.) It may be argued that when a tenant, due to financial stringency can afford to lease-in only a small piece of land he may look for better quality land, less prone to risks of crop failure. Although land values and/or rents may capitalise the productivity differentials (possibly more than capitalise considering the tenant's weak bargaining position), for the tenant the risk of a poor crop may work out much higher than the additional cost of tenancy, at the bare subsistence level. An even more likely situation would be that the landlord himself prefers to parcel out his land into small tenant holdings, especially when they are of a better quality land. We shall try to argue in favour of such a possibility in the case of irrigated lands (see 5.7 below). To anticipate: the landlord's strategy may be to exploit the quality advantage to the maximum by controlling the size of the leased-out parcel. A small enough parcel would compel the tenant to put in a high amount of his own labour and other inputs in an effort towards providing subsistence for himself and his family after paying out the landlord's share.

4.11 Another hypothesis suggested by Bhagawati and Chakravarty (1964) attributing lower productivity on larger holdings to their higher degree of fragmentation is not very convincing. Bigger operational holdings, they argue, may have been built up by purchases of separate plots of land. However, the FMS shows that fragmentation is present on all sizes and possibly the adverse incidence on productivity due to fragmentation is more on small farms which constitute smaller-sized fragments.

4.12 It has also been argued [see

TABLE 1 : EMPLOYMENT (DAYS OF EIGHT HOURS) PER ADULT EARNER : ON FARM AND OFF FARM

State/Size of Holding (acres)	Total Employment	On Farm	Off Farm
Punjab (1954-1957)			
Below 5	207	203	4
5 - 10	227	226	1
10 - 20	263	262	1
20 - 50	286	286	0
50 and above	445	444	1
UP (1954-1957)			
0 - 2.5	212	176	36
2.5 - 5	268	266	2
5 - 7.5	283	273	6
7.5 - 10	279	279	0
10 - 15	264	263	1
15 - 20	266	266	0
20 - 25	278	278	0
25 and above	283	283	0
West Bengal (1954-1957)			
0.01 - 1.25	129	64	65
1.25 - 2.50	121	68	53
2.50 - 3.75	122	85	37
3.75 - 5.00	126	91	35
5.00 - 7.50	120	100	20
7.50 - 10.00	125	104	11
10.00 - 15.00	74	73	1
15.00 and above	126	126	0
Bombay (1955-1957)			
Ahmednagar			
0 - 5	213	121	92
5 - 10	235	184	51
10 - 15	236	221	15
15 - 20	256	244	12
20 - 25	249	215	34
25 - 30	236	221	15
30 - 50	265	249	16
50 and above	228	226	2
Nasik			
0 - 5	240	135	105
5 - 10	282	262	20
10 - 15	277	250	27
15 - 20	249	222	27
20 - 25	256	231	25
25 - 30	268	235	33
30 - 50	269	265	4
50 and above	255	253	2

C H H Rao (1966)] that small farmers, mostly working with family labour, take greater care in performing operations and are better managers. A rather subtle distinction has to be made here: It is possible that some crops do require particularly more careful and efficient handling of operations (like weeding, watering, etc) and in such cases, the relative disadvantage of larger holdings on having to depend upon hired labour to a greater extent may be reflected in the smaller weightage given to such crops in their cropping pattern. If, however, these quality differences in labour and management were general, they ought to have been reflected in production of individual crops as well. As we have seen (see 4.4 above) this is not the case.

4.13 Neither the qualitative differences in land nor in labour provide an adequate explanation for the inverse relation. To the extent that quality of land is neither a perennial nor an unchangeable attribute one has yet to answer the question why the large operators do not undertake quality-augmenting productive investments, like, say, on irrigation or fertilisers. Thus the differences in value productivity boil down essentially to those in intensity of land use and cropping pattern. The intensity of land use, generally though not systematically or in all cases, varies inversely with the size of holding.[11] Intensive use of land, in turn, involves the application of other inputs to land in higher amounts. Smaller holdings are also noticed to have a higher level of irrigation, as measured by the percentage area irrigated and this too is suggested as a factor facilitating intensive cropping. Apart from intensive cultivation, cropping pattern also contributes to the higher value productivity on smaller farms.

V

Intensity of Cultivation and Size of Holding

5.1 In this section we shall further examine factors underlying the higher intensity of cultivation on smaller holdings. The higher degree of intensive cultivation has been attributed to the application of greater amounts of labour to land and partly to the higher level of irrigation. These are not independent of each other. We shall discuss them in turn.

(a) Intensity of Cultivation and Labour-use

5.2 The FMS does provide some ground for the hypothesis that small farms use relatively greater amounts of labour per acre. Taking total crop production activity, labour days (hired plus family) per acre show a tendency to decline with an increase in the average size of holding, the inverse relation being statistically significant. (In the case of individual crops, however, no such systematic or significant relation prevails, further supporting our conjecture that the statistical relations may mainly be understood in terms of intensity of cultivation and cropping pattern.)

5.3 One explanation of the greater labour use on small farms, derives from the usual competitive theory of factor-substitution: If land is taken as given (or 'fixed') for each holding, if all the producers face the same input and output prices, if they also confront the same production function allowing for factor-substitution, the small holders, as efficient profit-maximisers will choose a higher labour-land combination, with higher productivity per acre and lower productivity per man-day. Thus as a counterpart to the inverse relation between productivity per acre and size of holding, one would expect a positive relation between productivity of labour and size of holding. We found that no such systematic relation existed between the two. Thus the higher use of labour on small farms cannot be explained in terms of land-labour substitution along a *production-possibility* frontier.

5.4 An attempt to explain the relatively higher labour use observed on small farms was made by Sen (1964) in terms of a dual farming system — the small peasant households maximising gross output with the help of the available family labour (and hence the marginal prouctivity of labour approaching zero) while the capitalist farmers, represented by large operators, maximising profits with the marginal productivity of labour equalling wage. The dual farming system, based only on differences in objective functions, strictly interpreted, implied that the family labour on small farms was 'given'; or, in terms of conventional theory, the opportunity cost of labour was zero. A modified treatment of the problem was suggested by Sen, among others,[12] namely, that the opportunity cost of family labour, while positive, could be taken as less than the wage rate, so as to accommodate the fact that the probability of securing wage employment was less than one. In such a case, the small farms based essentially on family labour would end up in using relatively more of labour per acre than those based on hired labour. Thus, in this modified form, a dual wage system was introduced.

5.5 However, whether one could treat the wage rate as an opportunity cost, even in the modified form, would depend upon the extent to which hiring of labour and working on farm could be considered as substitutive activities and whether and to what extent decisions regarding labour-use are guided by the wage rate. Given the limited information available in the FMS we shall describe some aspects of employment relevant to these questions.

(a) *Total Number of Days Employed Per Worker*

5.6 The FMS gives the average number of standard days (calendar days converted into eight-hour standard days) worked on crop production by a permanent farm worker, according to size of holding, divided into *on farm* and *off farm categories* (see Table 1). Except Punjab (where outside employment is insignificant) *off farm* employment tapers off as the size of holding rises. An interesting, although not exact, pattern[13] can be noticed in the level of employment per adult worker in regions other than Punjab. On the 'very small' holdings (see 2.3 above) where the operator has to rely mainly on employment off the farm, outside employment does not always appear to be adequate to compensate for the very low level of *on-farm* employment. These operators are barely on the margin, exposed to the vagaries of the labour market and can be considered very close to landless labourers in their economic status. In the immediately larger size-group ('small farmer', see 2.3 above) total employment tends to increase, the farmer working both on and off the farm, although the size of holding is still small. In the next larger size group of holdings ('middle group'; see 2.3 above) total employment (on and off farm) per worker tends to fall again: it would seem that while the size of holding is not yet large enough to engage the permanent worker adequately on the farm (he is still hiring out labour, although not prominently), outside employment is not enough to compensate either. It may be that the worker is tied down to his farm and cannot offer himself for work when employment opportunities are relatively better, as in peak seasons. Although reluctance to hire out for reasons of prestige may also be one reason, the fact that he does hire out labour

Table 2 : Comparative Annual Input, in Eight-Hour Days, of a Family Worker and a Permanent Farm Servant (Cost Accounting Method)

(Average of Three Years)

Holding Size-Group (acres)	Annual Labour Put in by a Family Farm Worker	Permanent Farm Servant
0 - 5	224	204
5 - 10	248	231
10 - 20	280	306
20 - 50	295	258
50 and above	389	535
Overall average	279	375

indicates that this consideration is not altogether prohibitive. On yet larger holdings work on the farm increases and although work outside declines, the total employment per worker is quite high.[14]

5.7 Employment on farm and off farm cannot be treated as independent categories: the availability or otherwise of off farm work affects the rhythm and intensity of work undertaken by the operator on his own farm, through his choice of cropping pattern and crop mixes. If labour inputs in crop production are complementary over time, as appears probable, family labour will get committed to a certain rhythm of work on farm once a cropping pattern is settled upon. It may then be not possible for farm operators, even on relatively small holdings, to regulate their work so as to take advantage of outside employment opportunities. It is particularly so if many of the very small holdings also have a single earner.[15] Thus working on farm and off farm may not be purely additive activities or simple alternatives to choose from at any moment of time. On the 'middle' farms, the farmer, while not fully engaged on the farm, may be able to take up outside work only for short durations. If employers prefer to hire workers who are available for a continued stretch of time or are easily accessible in time of need, such family workers may find themselves discriminated against. While some farmers may thus be somewhat constrained as compared with agricultural labourers from offering themselves for outside employment, they have greater security of income from their holdings, relatively speaking, which explains, at least partly, why the landless crave for some piece of land to cultivate and why, even at the cost of oppressive tenurial conditions, there is so much hunger for leasing-in land. Claims on cultivation of land become all the more important when 'credit worthiness' is linked with it.

5.8 Another feature of employment for which we have no information in the FMS but which is known commonly to operate is the interlocking of credit and/or land-leases with labour services. It is not uncommon for landlords to lease out plots on a commitment binding on the tenant or his dependants to contribute free or underpaid labour services on his own land or his household. Similarly credit may be extended to landless labourers on the condition that they are obliged to work. Quite often these labour services are extracted in the peak season, when the small tenant or the labourer could have better chances of work. It is clear in such cases that no simple 'opportunity cost' concepts can be applied.

(b) *Categories of Farm Workers*

5.9 To appreciate the overall employment situation, it is necessary to note categories of farm workers and allocation of tasks among them, which are partly determined by tradition, caste, etc. Farm workers may be broadly divided into permanent and casual labour. Among the former are included family workers and permanent farm servants. Labour which can be hired out and labour which may be used on family farm are not always coterminus categories. More significantly, they are not independent of the economic status (or sometimes the caste status) of the household. For example, among very small farming households women and children not only work on their own farms but offer themselves for work outside; whereas among the class of the richer farmers female labour is altogether withdrawn from crop production. In some peasant households, while women and children may be employed on family farms, they may be considered a resource specific to the household inasmuch as while available on the family farm they are not entrants into the labour market. Thus for the same family, labour available on farm and that potentially available for hiring out differs. Much depends also on social conventions: female labour constitutes a much higher proportion in Madras and Madhya Pradesh as compared to say UP or West Bengal.

5.10 The distribution of work between male, female and child earners appears to follow largely traditional allocation of tasks. That female labour is mostly employed as casual labour for certain types of operations is clear from its higher concentration in certain months (e g, when hoeing, weeding is done). In the Madhya Pradesh Report it is observed, on the basis of histograms, that there is a higher degree of seasonal fluctuations in female than in male labour. In the same report it is observed that the casual female worker does the same type of work as the family female worker does. Further, there is considerable stability for comparable months over the years, in the *proportion* of female labour to total labour, in spite of the fact that the total labour input shows significant variations. Child labour is employed mostly in cattle grazing, crop watching, etc. The proportion of child labour increases with the size of holding possibly due to the increasing number of draught and milch cattle. Also, use of child labour is more prominent in regions where stall feeding of cattle is not common and cattle are grazed on common grounds.

5.11 The permanent servant is more or less fully employed even in areas of otherwise low employment. Employment of a permanent servant is rather rare on the small farms although at least some casual labour is employed by farms of all sizes. In the case of Punjab where the labour input contributed by a permanent servant and a family (adult male) worker is given, an interesting comparison emerges (see Table 2). Both the family worker's and the annual servant's labour input increases with the size of holding. It is evident that on the small holding a permanent servant is employed although the family worker himself is not fully employed: Reckoning on the basis of the number of standard eight-hour days, he is less fully employed than his counterpart on bigger farms. Also the permanent servant himself is not fully employed, on the same reckoning, on smaller farms. It is possible that the small farmers pay a lower wage to the annual servant in return for less work; or the permanent worker on small farms may be a part-time worker, hiring out part of his labour [see, e g, Report on Punjab (1954-1957) p 19]. What may appear surprising is that the small farmers employ permanent servants despite the low level of their own employment, which induces them to hire out their own labour. Part of the explanation may be that the semi-attached servants ensure an adequate supply of labour during the peak season when wages of casual labour tend to be high. Also the small farmer may himself want

to take advantage of outside employment in busy seasons, earning a higher casual wage, while reducing his work load on his own farm in that period. Employment of permanent servants thus appears to minimise the risk for both: the farm servant is assured of some stable minimum income while the farmer ensures adequate supply of labour (or can achieve some flexibility in his own labour input) during peak periods.

5.12 Does hiring in of labour on small holdings necessarily imply full utilisation of family labour? As a counter argument to the dual labour (family and hired) hypothesis, it has been pointed out that the small farmers not only hire out labour but also hire in and hence should be subject to the capitalist rules of equating marginal labour productivity to wage rate.[16] It is necessary to note the factors possibly lying behind such hiring of labour. The reason may be partly technological: In harvesting periods, in order to ensure that the yield is not adversely affected, operations may have to be conducted within a very short period. This urgency to complete a certain volume of work may necessitate the hiring in of labour even on small farms, particularly in the case of crops like sugarcane. (There are days on which a family worker works for more than 12 hours.) Insofar as labour is hired in to supplement family labour at such times it does imply momentarily full employment of family labour. However, the hypothesis that hiring of labour always implies full employment of family labour is questionable. In the Madhya Pradesh Reports (1955-56 and 1956-57) where, for example, monthly distribution of labour by the two types (hired and family) is given there appears to be no systematic relation between the proportion of work put in by family labour in any month and that by hired labour. One would expect that in the months in which the amount of farm work is much less, the proportion of casual labour would be much less, if any at all. However the proportion of work days contributed by hired labour was around 32 per cent in the peak season (July and August), while in February, a lean season, it was 31 in 1956 and 40 in 1957.[17] The Report for 1955-1956 (p 38) explains that there are some cultivators who get most of the work of a certain type done only by hired labour. It is possible that certain types of operations require specialised skills or are traditionally done by a certain class or caste of labourers. In such cases, family labour and hired labour are no more substitutive categories. Also, on small farms where there is deficiency of bullock power or equipment, hire of these may often be tied to hire of labour, e g, carting of grains may involve not only hiring of a bullock cart but also paying labour charges to the driver.

5.13 The point to note is that neither of the two hypotheses — that family labour and hired labour are exclusively separate categories so that family labour becomes a datum to the cultivating household, or that they are substitutes, so that the prevailing wage rate measures its opportunity cost — is justified. To what extent the two categories are substitutive depends upon a number of factors: the ruling wage rate is just one of them, and possibly not even the most important.

(c) *Seasonality of Employment*

5.14 We have already hinted at places above that the time-pattern and extent of work opportunities available to a worker outside his farm and the time-pattern and extent of work he can himself offer on the market are not independent. We note below certain features of farm activity relevant to this question of temporal distribution of work on and off farm:

(i) The permanent farm worker is employed, on farm, rather unevenly over days and months and his employment in terms of standard eight-hour days is much less than in calendar days. This conversion shows a much greater reduction in the case of small holdings. The actual disposal of work over calendar days, however, means that the worker, especially if he is the sole earner or supported by insufficient hands, is tied down to the holding.

(ii) Seasonality in operations implies a certain pattern of demand for hired labour. Work outside the farm reveals broadly the same seasonal pattern as work on farm. If work outside is mainly agricultural it implies such synchronous seasonality patterns that the total annual employment tends to be low. Secondly, seasonality also implies that the demand for labour will be predominantly for casual rather than for continuous hire.

(iii) The lack of continuous and guaranteed employment may compel small operators to adopt a cropping pattern which, while it may yet not be adequate to give full employment, eases the seasonality factor. The following comment from the Madhya Pradesh Report is pertinent in this context: "Male labour has been utilised on the farm more evenly. In no month more than 11 per cent of the total yearly hours of male labour has been utilised and in no month the labour put in was less than 5.5 per cent. Agriculture in this region depends almost entirely on rainfall and there was practically no double cropping. Even then the cultivator had arranged their cropping pattern in such a way as to be able to spread their work load throughout the year." However, adoption of such cropping patterns itself would imply tying labour to land.

5.15 This raises the other side of the question of employment: why indeed does not wage-based capitalist farming develop? No attempt will be made here to answer this complex question. For the period under study, 1954-1957, the FMS shows that not only small but also large holdings incurred losses when all costs are imputed. Especially when crops are prone to climatic risks, there are no well-developed markets for the more remunerative agricultural products, when transport and communication links are not well developed, the rich in the agrarian economy may find exploitation through usury and tenancy much more profitable, for which the surrounding poverty and land hunger provide a fertile ground. All in all, what may emerge is a situation in which intensively cultivated small peasant farms and less intensively cultivated large holdings mutually reinforce each other by generating certain conditions in the labour market.

5.16 What we have attempted here, in a rather rough and sketchy fashion, is to emphasise how the characteristics of the labour market in the agrarian economy cannot be understood without an intimate knowledge of the different types and degrees of risk that various sections of the peasantry face in the labour market, their areas of feasible choices, specialised character of certain operations, norms and conventions that govern the operation-wise distribution of tasks, etc. An important aspect which we have no means of exploring, even tentatively, is the tenurial and other contractual relations that would presumably restrict the choices concerning employment of the weaker sections of the peasantry.

(B) Intensity of Cultivation and Irrigation

5.17 The higher intensity of cultivation on smaller holdings has also been attributed to their higher level of irrigation. The level of irrigation, in the FMS is represented by the percentage area irrigated — a rather poor index as it does not indicate the effectiveness of irrigation, its source, quality, controllability or the quantum of water supply. Relating the level of irrigation to the size of holding we find a statistically significant inverse relation for both districts of the UP, Bombay, Madras and Hooghly district of West Bengal; inverse but not significant for Punjab and 24 Parganas in West Bengal. Madhya Pradesh had very little irrigation in the two districts.

5.18 The greater irrigational facilities on smaller holdings may be due to (i) better irrigated lands getting divided into smaller holdings and/or (ii) smaller operators creating and maintaining better irrigational facilities on their farms. We may consider the case of owner-cultivators and tenant-cultivators separately. To take up the first in the case of owner-cultivators, it may be argued that better irrigated lands are more prone to subdivision as the feasibility of producing a certain minimum produce on a smaller plot may permit families to subdivide their common possessions. As to the second, the argument rests on the ground that the small cultivators can deploy their family labour in creation and maintenance of irrigational facilities. If however such activities require capital expenditures in addition to labour, the relative advantage of the small cultivator in having relatively larger amount of family labour would diminish. The causal chain, small farms and hence higher level of irrigation, appears to be relatively weak.

5.19 Some additional factors operate in the case of tenanted holdings. When a landlord wishes to lease out land he may prefer to parcel out land into small units, for two reasons: his bargaining position remains strong *vis-a-vis* the petty tenant, who may prefer to lease-in an irrigated plot even at considerable cost (see 4.10 above). Secondly, by keeping the parcel small the tenant is put under pressure to apply intensively his own inputs, particularly labour, in order that his retained share, after paying the landlord, covers subsistence. While this could be the general strategy of the landlord, whether lands are irrigated or not, it appears even more relevant to irrigated lands. As we shall note below, the differences in yield per acre on irrigated and unirrigated holdings in the same size-group are less than proportionate to the differences in the quantum of inputs on the two types of holdings; irrigated holdings absorbing much more inputs per acre. This is so particularly in relation to labour input and on small holdings. The landlord may thus exploit the technical possibility of more intensive cultivation under irrigation by parcelling out the land into small plots, maximising thereby his return, as a share of gross produce, on the total land at his disposal.

5.20 While on this question of landlord's possible strategy with regard to irrigated lands, we may also refer to an observation that emerges from the Punjab Reports. We find that in Punjab the percentage of area irrigated is higher on fixed rented lands than on cash-rented lands. One explanation may be that those tenants who secure land on fixed rent system have a greater incentive to undertake the provision and maintenance of irrigational facilities. This however appears unlikely unless the lease is a secure, long-term one with the level of fixed rent remaining constant or varying predictably and slowly. If the tenant has a relatively weaker bargaining position or he is a tenant-at-will he will have little incentive to undertake investment in irrigation or in other durable assets that are not shiftable. A second possible explanation appears more likely: namely that, for a tenant, a fixed rent contract on an irrigated land may appear more attractive as he can then exploit the full economies of irrigation which requires intensive application of inputs, particularly labour. It may ordinarily be expected that the landlord, in view of the possibilities of intensive cultivation will prefer crop-sharing, where he can secure a proportionate share of the potential gains. In fact, the landlord can adopt two alternative strategies: (a) he can lease the land on crop-sharing basis, with the possible risk that the tenant, under crop-sharing, may not be willing any more to apply as much labour and other inputs as he would under a fixed rent contract, or (b) he may fix a rent under a fixed rent contract which is high enough to partly capitalise the higher productivity gains; the fixity of rents may yet provide the incentive to the tenant to cultivate the land intensively. If the tenurial contract is not secure the landlord can raise rents and capitalise the productivity gains for each new tenant or for the same tenant under the threat of eviction. In fact, intensity of cropping is found to be systematically higher under fixed rent tenancy as compared to that under share-cropping tenancy. The hypothesis suggested here needs to be tested on a more detailed informational basis than is available in the FMS.

5.21 Irrigation can raise productivity of land mainly by making possible multiple cropping, by increasing physical yield of crops, and by making possible the production of more lucrative crops. Irrigation not being as widespread and effective in all regions, during the years of study, the relation between intensity of cultivation and the percentage area irrigated turns out to be statistically not very significant. As pointed out in Madras Report (1956-1957; p 38), while irrigation makes possible the production of lucrative crops, it may not yet be adequate for multiple cropping. Thus the major contribution appears to be, at least in regions with generally low level of irrigation in improving cropping patterns and in increasing the gross yield of individual crops.

5.22 Comparing inputs and outputs on irrigated holdings with those on unirrigated holdings, it is generally noted that the higher yield per acre on the former is accompanied also by the higher use of inputs. For example, in Punjab, human labour per acre almost doubles and so does the total cost of inputs, for comparable size-groups of holdings. Defining $\triangle O$ as the difference between yields per acre on irrigated and unirrigated holdings, within the same size-group, and $\triangle C$ as the difference between total cost of inputs per acre, we computed the incremental ratio, $\frac{\triangle O}{\triangle C}$, for each size group. It was noted that, in most cases and especially on small farms, $\frac{\triangle O}{\triangle C} < 1$, implying that while irrigation increased productivity per acre by making feasible intensive application of inputs, the latter quite often increased more than proportionately to output. Similar observations could be made on the basis of comparison of irrigated crops with unirrigated crops. Also, the higher productivity on irrigated lands, as compared to unirrigated, appeared to have been accompanied by the much sharper lowering of productivity of labour, especially on small farms.[18]

5.23 Thus while the small farms have a higher level of irrigation, in general, allowing for higher intensity of cultivation, this may not be taken, in itself, as an indicator of their economic strength or superiority.

VI

Cropping Pattern and the Size of Holding

6.1 We have indicated at several places in the preceding discussion that the cropping pattern, along with the intensity of cultivation may explain a number of relations observed between input uses (and productivity) and the size of holding, which appear to hold for total crop production but fail to do so at the level of individual crops. In this section we shall indicate possible factors influencing the cropping pattern of the different size-groups of holdings.

6.2 In our discussion of the agrarian markets in Section II we referred to the two-way relation between the resources at the disposal of, or accessible to, a cultivator and his position in the factor and output markets: his initial resource position determines his 'bargaining' capacity in the credit, land and labour markets. His past and current involvements in the markets, in turn, influence his production 'decisions' and through these his future resource position. Furthermore, the economic status of the cultivator and his position in the nexus of property relations also define for him the 'objectives' he sets himself to achieve. There are no motivational forces which are definable *a priori* for any operator independently of the entire gamut of production and market relations in which he is involved. Thus it is futile to reduce all cultivators to profit maximisers. For many the category of 'profits' may not be relevant at all. They may be more concerned with total returns, i e, gross output net of paid-out costs. We also discussed in a rather stylised manner the types of market involvements and categorised cultivators into four broad groups — 'very small', 'small', 'middle' and 'large'. We shall attempt here to relate these ideas to the question of cropping pattern. These groups cannot be identified precisely given the nature of information we have and will vary in terms of the size range of holdings from region to region, so that the general discussion below does not specify the size range. In our notes on cropping patterns we shall broadly indicate them separately for each region.

TABLE 3 : EXTENT OF MONETISATION

(A) Percentage of Cash Expenditure to Total Input, West Bengal (1954-1957) (Districts Combined)

Size of Farms (acres)	1954-55	1955-56	1956-57
0.01 - 1.25	25.8	30.4	26.7
1.26 - 2.50	27.6	25.8	26.8
2.51 - 3.75	31.6	22.2	22.9
3.76 - 5.00	21.9	25.4	20.6
5.01 - 7.50	20.1	22.8	21.6
7.51 - 10.00	26.3	15.8	13.2
10.01 - 15.00	26.0	33.9	29.0
Above 15.00	21.2	31.7	33.9

6.3 The 'very small' group of cultivators are in their economic position, not very far removed from the landless labourers, as they possess very little land relative to the available labour and depend upon hiring out labour to supplement their income from land. Very often, possessing no bullocks, they have to hire in their services for payment or in exchange for labour. They have quite often to purchase seeds; the gross output of the previous harvest may just cover or fall short of family consumption. Also, if they have debt liabilities, and indeed they are heavily indebted, a part of the output may have to be disposed of immediately after harvest towards debt repayments. Quite often, they are compelled to raise consumption loans or even loans to provide for circulating capital on onerous terms, the own rate of interest on kind loans being very high. The hire rate for bullocks and equipment could be higher for this group (the per hired bullock day rate calculated for each size group showed that the rate was higher for this group). Furthermore, there could be diseconomies in buying inputs in smaller quantities. The dependence of this class on the market for providing even circulating capital is reflected in the index of monetisation of inputs (see Table 3). We note that the dependence on cash expenditure is very high for this group. It declines for the holdings in the next size-groups and picks up again on large holdings. The higher index of monetisation on large holdings is qualitatively a different phenomenon from that on the very small ones. While in the former, it reflects a higher degree of commercialisation of production in the latter it is a reflection of the distress conditions under which production is carried and market involvement assumes a compulsive character.

6.4 Given their higher availability of family labour, it may be expected that these very small farms will concentrate on the relatively more labour-absorbing crops. The intensity of cultivation is higher on these holdings as well, so that bullock use *per acre* is not any lower compared to other and they have to hire in a substantial part of it, if not the entire amount. Given their resource base, they are thus severely constrained by the need to raise cash resources even in order to keep the cycle of production going. This may explain why the cultivators in this group are seen to allocate a higher proportion of their area to more lucrative (i e, yielding high gross revenue per acre), although risky, cash crops. This is especially so when cash crops like jute, groundnut and cotton require also a high labour input per acre and

TABLE 3 (CONTINUED) : EXTENT OF MONETISATION

(B) Percentage of Cash Expenditure to Total Expenditure on Various Inputs, Madhya Pradesh

Size of Holdings (acres)	Seed		Human Labour		Bullock Labour		Overall	
	1955-56	1956-57	1955-56	1956-57	1955-56	1956-57	1955-56	1956-57
0 - 5	81.9	86.7	93.3	80.0	60.4	66.9	77.1	71.1
5 - 10	81.9	72.7	85.4	70.8	52.3	53.5	67.5	64.0
10 - 15	62.8	87.8	87.4	70.2	44.4	41.2	65.4	60.8
15 - 20	75.5	63.1	95.7	76.8	35.6	37.5	63.1	55.6
20 - 30	63.4	66.2	90.4	77.2	24.0	35.7	54.3	51.5
30 - 40	50.1	50.8	83.9	73.7	24.1	36.1	52.1	51.4
40 - 50	55.0	61.6	83.7	74.3	44.4	36.9	68.8	57.5
50 and above	51.4	68.3	74.8	72.8	21.6	32.0	51.3	58.6

do not require specific investments in equipment, etc. Also it is quite often possible to get credit more easily for cash crop production on the condition of repayment in kind. Land can sometimes be more easily leased-in and circulating capital or a part of it borrowed from the landlord on a contract to raise the cash crop. For example, in West Bengal the FMS reported that the holdings producing *only* cash crops (constituting only 1 per cent of the sample; there are very few such pure cash crop holdings) were all in the very small size-group. Our notes below, separately for individual regions, bring out a similar feature of cropping pattern in other regions as well. Of course, there is a greater risk attached to a lack of self-sufficiency in food. However, part of the food requirements of the family may be earned as kind wages for hire of labour. More importantly, the very small farmer has to borrow circulating capital even to produce food crops. This, in most cases, may compel him to dispose of a major portion of his harvest and hence he may have to depend, in any case, on market purchases of food or consumption loan to support the family through the year. In the circumstances, the greater gross revenue yield of cash crops as compared to food crops might weigh with the cultivators in favour of cash crops.

6.5 The next group of small farmers, with somewhat larger holdings, is also characterised by higher availability of family labour. However, they are less dependent on the purchase of operational inputs (as reflected in the lower extent of monetisation of inputs) than the very small farmers, and hence under less pressure to raise cash. Employment outside the farm is much lower in their case but they seem to be better able to defend themselves from the vagaries of markets. They raise more of subsistence crops on the land, especially the ones that are the more labour-absorbing.

6.6 The following group of 'middle' farmers is more self-sufficient in terms of bullock labour, seed requirements, etc, and equipment and generally produce a surplus over subsistence. They produce a crop-mix which covers a larger variety of crops, although mainly food crops, the more lucrative ones. These crops, like vegetables, require considerable care in weeding, watering, etc. Unlike the first two groups of the 'very small' and 'small' cultivators, whose dependence on the market appears to be primarily a product of the struggle for raising subsistence for the family, the 'middle' farmers are producing, at least in part, to benefit from the market. If at all the careful balancing of costs and returns, etc, given market prices, has a descriptive validity it could be for this group, which is neither at the mercy of the market nor dominating it.

6.7 The 'large' holdings produce in order to raise a surplus for the market. In poorly irrigated regions, the 'large' holdings are found to have a lower level of irrigation, in general, than the smaller holdings. Intensity of cultivation is much lower. They do not depend totally on hired labour, family labour yet playing an important role, although the ratio of hired to family labour may be higher compared to other holdings. Many of the large holdings, too, showed losses in the years under study when all costs were imputed. All these may appear to be contradicting the fact that they are engaged in producing a surplus for the market. A reason, for which FMS does not provide evidence but which appears reasonably possible, is that for the large land operator cultivation is only one source of income. His position as a large landowner in the rural economy, with powers and privileges that accrue from it, places him in a favourable position to extract incomes and/or economic power from other activities, like money-lending or trade. He may thus not be interested in extracting the maximum from the land by investing in assets on land. The lower level of asset formation, irrigation, etc, goes hand-in-hand with the lower intensity of cultivation and lower use of hired labour. Especially in these poorly irrigated areas, the large holdings appear to economise on hired labour by concentrating on crops that use relatively less of labour. The level of irrigation being low, they concentrate on the more sturdier varieties of cereals which can better stand climatic variations. A very small proportion of the area, or none, is devoted to the more lucrative food crops (like vegetables, fruits, etc), possibly because they require more careful planning. Also, given the rather austere and low level of consumption of such products in the neighbourhood, their marketability might be an additional problem. Inadequacy of preservation and transport facilities makes their production for a distant market and on a large scale additionally risky.

6.8 The situation appears to change quite significantly in the case of the better irrigated regions like Punjab. With better irrigation, the hazards in cultivation diminish. The area under cash crops (like American cotton in Punjab and sugarcane in UP) is seen to be quite high on the larger holdings. During the period under study, the intensity of cultivation on the large holdings, even in Punjab, remained significantly lower than on the smaller holdings. The level of irrigation, generally higher for the region, was yet lower on the large holdings compared to the smaller ones. This possibly has led to the existence of the 'inverse' relation between yield per acre and farm size even in Punjab, although the large holdings do produce lucrative crops quite prominently.

6.9 With a view to studying the size-group-wise variations in cropping pattern we recorded for each individual crop and for each size-group of holding, labour input, bullock labour, paid-out costs, gross revenue and farm business income, all *per acre*. Alongside we recorded the percentage area allocated to the crop on that size-group of holdings. For the sake of economy of space we have not given the tables here[19] but only noted some brief comments on the same.

West Bengal: The two major crops of the region are paddy (*Aman* and *Aus*) and jute, of which Aman paddy occupies a large area. The proportion of area allocated to the crop is smallest (about 67 per cent) on the very small group (below 1.25 acres) and rises thereafter. It remains high for middle farmers (5 to 10 acres) and falls again to 68 per cent on the large group (above 10 acres). Aman paddy does not absorb as much labour and bullock power as jute; the paid-out cost per acre is also lower, but it brings in a lower gross revenue per acre. Jute absorbs a large amount of human labour per acre. It has a higher paid-out cost per acre relative to other crops, but yields a higher gross revenue per acre as well. It is particularly favoured by the very small farms of under 1.25 acres. The proportion allocated to jute falls as the average size increases, to rise again in the last two size-groups, i e, for large holdings above 10 acres. Mesta, again a crop absorbing a significant amount of labour and of bullock labour, with a high paid-out cost per acre but yielding a high gross revenue per acre, absorbs a relatively higher proportion of area on small- and middle-size holdings (upto 7.50 acres). The proportion is lower thereafter. It is not so much favoured on 'very small'

holdings, possibly because of the rather high hired labour component and high bullock labour requirements per acre. Potatoes, again a very labour-intensive crop, requiring also a very high bullock labour input, but bringing in a very large gross revenue per acre, are grown on a very small proportion of area, but the proportion declines over size-classes. On the other hand, pulses, a hardier crop requiring much less labour per acre but yielding also less gross revenue per acre, are allocated a much higher proportion of area on large holdings (above 10 acres). This crop occupies 5 to 7 per cent of area on other holdings, and about 13 and 17 per cent on the highest two size-groups.

Uttar Pradesh: Sugarcane, planted and ratoon, is the main cash crop of the region. Sugarcane 'planted' requires a high amount of labour and of bullock input (though not as high as for wheat) and a high paid-out cost per acre, but yields the highest gross revenue per acre. It is favoured by the very small (upto 2.5 acres) group. Sugarcane ratoon, which also requires a high amount of labour input but lower bullock labour input per acre and brings in the next highest gross revenue per acre as compared to sugarcane planted, is even more favoured by this group of very small farmers (29 per cent area devoted to it compared to 21 per cent under sugarcane). The proportion of area devoted to sugarcane ratoon falls in the middle groups (5 to 10 acres) and rises slightly on large holdings (above 10 acres). Wheat, which requires comparatively less labour per acre and more bullock labour than sugarcane, but brings in much less gross revenue per acre, rises generally with the size of holdings, a relatively greater proportion of area being devoted to it in the 10-20 acre group; the proportion falls somewhat on the large holdings above 20 acres, where sugarcane reasserts its importance. Paddy, which requires much lower labour input than sugarcane, is a relatively minor crop and the area devoted to it generally increases with the size of holding. Gram, another of the relatively minor crops, does not show much variation in the proportion of area devoted to it over the different size-classes of holdings, possibly because it is grown more for self-consumption.

Punjab: Wheat (irrigated and unirrigated) and cotton (American and *Desi*) are the main crops in the region. We find that, even on very small holdings below 5 acres, American cotton and *Desi* cotton play an important part. The percentage area allocated to cotton declines above this group upto the 20-acre group (i e, small and middle groups), after which it rises again on the large holdings. In the very large holdings of above 50 acres it occupies about 64 per cent of area. American cotton absorbs a higher level of labour input per acre, a little less bullock labour and paid-out cost per acre as compared to irrigated wheat, and brings in a high gross revenue per acre. *Desi* cotton, while absorbing somewhat less bullock labour input and paid-out costs per acre than American cotton, brings in a lower gross revenue per acre. It also occupies a rather small percentage of area as compared to American cotton on all holdings. Irrigated wheat and irrigated wheat-gram absorb a high level of labour input as well as bullock labour, but the gross revenue per acre is higher for wheat. The area allocated to wheat and irrigated wheat-gram remains around 26 and 36 per cent, respectively, upto 10 acres and then shows a continuous decline. While in the 10-50 acre group unirrigated wheat-gram gains relative importance at the cost of irrigated wheat-gram and cotton, in the largest group of above 55 acres, it is American cotton that gains at the cost of all others. The varying importance of irrigated wheat-gram possibly reflects the levels of irrigation on the holdings. It is a crop which absorbs much less material inputs, producing lower revenue per acre as well.

Madras: Complete information for the individual crops was not available except for paddy, cotton and *cholam*. We obtain, however, the percentage distribution of area between different crops. Paddy requires a very large amount of human labour and bullock labour per acre. The paid-out cost per acre is also very high, and it requires an adequate water supply. Although it yields a high gross revenue per acre, the very small holdings (below 2.5 acres) favour cotton and groundnuts (the two important cash crops), possibly because of the excessively high cost and bullock labour requirements of paddy. Cotton, while yielding a high enough gross revenue per acre (more than *cholam*), requires less bullock labour per acre. On the small farms (2.5 to 5 acres) paddy and *ragi* gain in importance while groundnuts and cotton decline. The middle group (5 to 15 acres) produces a more even mix of crops, while on the large holdings (above 15 acres) paddy (which absorbs a very large amount of labour) declines considerably in importance, as also does cotton, while the sturdier crops, *ragi* and *cumbu*, occupy a greater proportion of area.

Bombay: Ahmednagar and Nasik have somewhat different cropping patterns: while *bajri* and *jowar* predominate, with wheat and gram as minor crops, in Ahmednagar, *bajri* and wheat dominate the pattern in Nasik, with gram receiving a somewhat higher allocation than in Ahmednagar. The non-food crops (which are not important in either district) receive the highest percentage allocation on the very small farms (below 5 acres), declining in importance on the small farms (5 to 10 acres), increasing somewhat on middle farms (10 to 20 acres), only to decline again on the large (above 20 acres). *Jowar* and *bajri* are somewhat comparable crops as far as labour and bullock input per acre are concerned. *Bajri* yields a relatively higher gross revenue per acre but requires a better water supply. With a somewhat higher level of irrigation on smaller holdings, this crop occupies a larger proportion of area on these holdings in Ahmednagar. The distribution of area between *bajri* and *jowar* appears to be dictated by climatic factors. In Nasik, wheat, which is a relatively labour intensive crop, is favoured on very small holdings (below 5 acres), while *bajri* appears to partly displace it on the very large holdings (above 50 acres). In Nasik, vegetables (included in 'other crops') are grown predominantly on small and middle holdings (5 to 20 acres).

Madhya Pradesh: Crop-wise data on inputs are not available for Madhya Pradesh, but the Reports gives the cropping pattern for unirrigated area according to the size of holding. The irrigated area forms a very minor proportion and is mostly devoted to the production of fruits and vegetables. It may be noticed that on the very small (below 5 acres) size-group the proportion of area under cereals is less and that under cash crops (oilseeds, cotton) is more than on other holdings. Commenting on this, the Report remarks (1955-1956; p 23) "In almost all the size-groups of holdings, about half of the area is under food crops and of the remaining about 80 per cent under cotton. The only exception being the smallest size-group where the area under food crops is less than even half the area. The above crop pattern leads one to think that the subsistence needs

of a farmer in this tract play little part in determining the crop pattern. If that would have been the fact more percentage area under food crops is expected in smaller holdings than in bigger ones. If anything is borne out by this data, it is contrary to this." It is evident from our discussion that while the very small farmers do not directly grow the subsistence crops their production activity is geared to providing subsistence, for which they need to raise cash crops.

Summing Up

In this paper an attempt has been made to suggest a framework in terms of the extent and type of involvement of different sections of the peasantry in agrarian markets which are interlocked by price and non-price links. The FMS data are not adequate to explore the implications in sufficient detail. Taking up the productivity and size of holding debate, we have attempted to illustrate the approach, although in a rudimentary fashion.

[These notes are taken from my "Production Conditions in Indian Agriculture: A Study Based on Farm Management Surveys", which is being published by the Department of Applied Economics, Cambridge, as one of its occasional papers. An earlier version of this paper was presented at the Seminar on Political Economy of Agriculture held at Calcutta in 1973. For economy of space, I have not included here the detailed tables and the results of statistical tests, on the basis of which I have suggested some hypotheses. Those interested may kindly refer to the occasional paper, to be out very shortly.]

Notes

1 A critique of such models recently in a paper by A Rudra (1973) which contains also references to work done along the lines using Indian data.

2 A summary of the debate with references appears in Bhagawati and Chakravarty (1969).

3 The word 'bargaining' here may be somewhat misleading in that there may not be actual bargaining taking place on the market between individuals or groups of individuals. In part, custom, tradition, social mores crystallise the relative strength of different classes of the peasantry. To a certain extent the laws of the state (concerning, say, minimum wage or tenurial contracts) may influence the terms on the market. But these, in turn, may themselves reflect the relative economic power of the different classes of peasantry as also the class composition of the state.

4 For a model of the landlord operating also as a lender of consumption loans, see a paper by A Bhaduri (1973).

5 Other suggested classifications are in terms of scale of output or the ratio of hired to family labour.

6 See A P Rao (1967), A Rudra (1968a, 1968b), C H H Rao (1968), Saini (1971), Saini and Bhattacharya (1972).

7 See Sen (1964).

8 A Rudra in his 1968 paper recorded similar observations concerning individual crops.

9 Incidentally, with regard to individual crops, there are two possible ways of interpreting the scale of operation. Two types of scale effects could be envisaged: (i) related to the economy of the entire holdings, its resources and hence to the size of holding (ii) related to the actual size of area under a crop. The area devoted to a particular crop does not always vary positively with the size of holding. We found that there was no systematic relation between yield per acre and size of *cropped area* even in the few cases where there was a significant relation between yield per acre and the *size of holding*. Thus effects of scale, if at all, present, were due to (i) rather than (ii).

10 This, however, should be cautiously interpresented as the 'uncultivated' area includes, apart from uncultivable area, that under bunds, canals, etc.

11 It does so in Punjab and UP where the percentage area irrigated is generally high for the whole region. It is inverse although not systematic in the two districts of Bombay. In the case of Madhya Pradesh there is no variation in intensity of cultivation over size holdings worth noting. In West Bengal and Madras, intensity of cropping is higher on smaller size groups than on larger; although the inverse relation is not systematic. For similar observations, see A Rudra (1968b).

12 See Sen (1964, 1966), Agarwala (1964b), Mazumdar, D (1963), (1965).

13 This pattern is not altogether uniform in all regions, partly because the size-class divisions are not the same. The sampling procedure of the FMS involves dividing the holdings into five equal strata after arranging them in ascending or descending order in every village. The size-range not being uniform over regions, this has led to different size-classes.

14 In the case of West Bengal, the smallest size-group shows slightly higher level of employment than the next. In the case of Bombay the largest size-groups shows a decline in employment. In the case of West Bengal, the size-classes are narrower so that the smallest class constitutes holdings less than 1.25 acres. In the case of Bombay, the largest group exceeds 50 acres and at that level of holdings, the family worker is not known to be very active (in contrast to Punjab).

15 To quote, for example, from the West Bengal Report (1954-1957; p 25): "... over a third of the total number of farms have just one earner, while more than half the farms in the largest size-group have only one".

16 See Bhagawati and Chakravarty (1966).

17 Similar observations are recorded by A Rudra (1973b) in a recent article on the basis of individual holdings for West Bengal.

18 A model in terms of risk-bearing to explain the inverse relation between yield per acre and land size, given that irrigation level is higher on small farms, appears in a paper by Srinivasan (1973).

19 These Tables are presented in the occasional paper "Production Conditions in Indian Agriculture ..." referred to above.

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Trends in Real Wage Rates of Agricultural Labourers

A V Jose

This paper makes a comparative study of wage rates of agricultural labourers in the different states over the period 1956-57 to 1971-72.

While according to earlier studies wage rates improved significantly in real terms only in Punjab (including Haryana and Kerala), our extension of the series to 1971-72 shows that improvement in real wages took place also in Tamil Nadu, Uttar Pradesh and Gujarat. However, these states still account for less than 30 per cent of the agricultural labour force in the country.

This study also brings out that inter-state disparities in money wage rates have tended to widen since 1964-65.

SEVERAL attempts have been made to study the changes, if any, in the economic status of agricultural labourers and small farmers in India during the sixties. The available data in this regard for whatever period they cover present none too bright a picture. Mention must be made in this connection of three studies. Krishnaji's[1] study using wage data covering a period upto 1964-65, Pranab Bardhan's[2] study of IADP districts upto the period 1967-68 and the Herdt and Baker[3] paper which covers upto 1968-69. All of these suggest that during the sixties in all the states, with the exception of Punjab/Haryana and Kerala, agricultural wage rates have declined in real terms. The purpose of this paper is to make a comparative study of the wage rates of agricultural labourers in various states covering the period 1956-57 to 1971-72, thereby bringing up-to-date the study of agricultural wage rates.

Let me start with a few procedural details.

(1) The data used here have been collected from the records of the Krishi Bhavan, New Delhi.[4] They are to be published in "Agricultural Wages in India", brought out by the Directorate of Statistics of the Ministry of Agriculture.

(2) As in the case of the earlier studies on this subject, in our study too only wage rates corresponding to the category of 'male field labour' are used. However, in the case of states where data are not available for that specific group,[5] the average wage rate for ploughing alone is taken, as there is near uniformity in the wages paid for agricultural operations like ploughing, sowing, weeding, and harvesting.

(3) In estimating the wage rates corresponding to each place, we have, following Krishnaji, chosen the wage rate corresponding to one month of the peak agricultural season in each state, as is given in the Indian Crop Calendar. Accordingly, it is December for Andhra Pradesh, Assam, Bihar, Maharashtra, Gujarat, Karnataka, Uttar Pradesh and West Bengal; April for Punjab/Haryana; October for Kerala; November for Madhya Pradesh and January for Tamil Nadu. But to avoid any possible misunderstanding that the choice of one particular month would introduce some bias in our analysis, it must be stated that the monthly wage data reported in "Agricultural Wages in India" show virtually no seasonal variations in wage rates.[6] V M Rao's detailed study on the reliability of agricultural wages notes that the wage rates reported in "Agricultural Wages in India" fail to capture interseasonal variations in rates and that they leave no scope for any study on seasonal variations.[7]

(4) The district has been chosen as the basic unit for our analysis. Wage data for each district are obtained by taking the average wage rate for the different centres falling in it. These district average wage rates have been weighted with the proportion of male agricultural labourers in different districts to arrive at the state-wise weighted average wage rate. The money wage rates thus obtained have been deflated by the Consumer Price Index Numbers for Agricultural Labourers to arrive at the real wage rates. The Consumer Price Index Number for Agricultural Labourers (ACPI) in each state is estimated by the Labour Bureau, Simla, on a monthly basis and is published every month in the *Indian Labour Journal*.

(5) ACPI numbers are available for most states from 1951-52 onwards. However for Maharashtra and Gujarat (former Bombay region) they are available only from 1960-61 onwards, and for Tamil Nadu and Uttar Pradesh only from 1965-66 onwards. We have attempted alternate estimates of the missing index numbers in the case of these four States.[8]

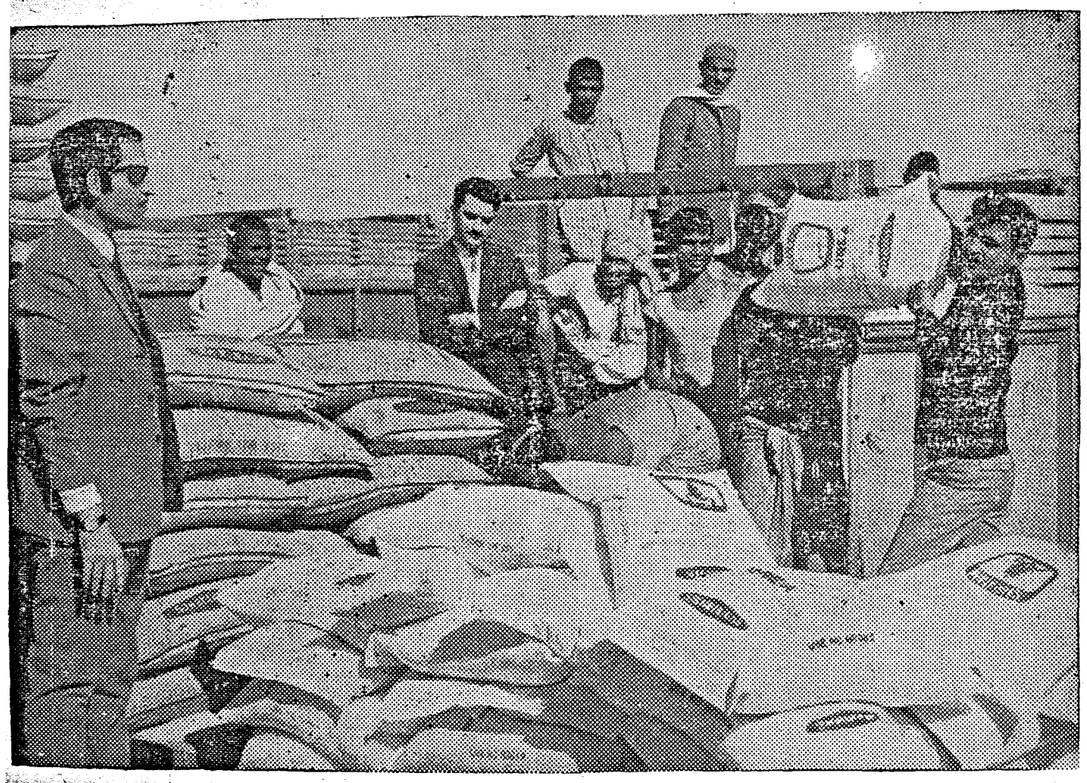
In Table 1 are given the Money Wage Rates,[9] the Deflators and the Real Wage Rates in each state during the period 1956-57 to 1971-72. In Table 2 are given the indices of real wage rates.

For studying the trends in real wage rate movements during the period under study, we have worked out three sets of indices with 1956-57, 1961-62 and 1964-65 respectively as base years. The first one gives the trends right from the time of the linguistic reorganisation of states; the second one describes wage rate movements in real terms during the sixties; the third one has been introduced specifically with the purpose of studying the changes, if any, introduced by the new technology in agriculture. Hence, the choice of 1964-65 as the base year for this purpose.

Before we start interpreting our calculations with respect to movement of wage rates it would be appropriate to enter a plea of caution that wage rates alone, even when expressed in real terms would not give a complete picture of the income of agricultural labourers. Here, since we are making inter-state comparisons of the movement in wage rates, particularly in real terms, this caution is no less important to enter because in the absence of information on the changes, over the same period, in the quantum of employment offered to agricultural labour, it is difficult to assert that if in a particular state, e g, Kerala, the wage rates have improved in real terms it necessarily follows that the real annual income per worker has also increased correspond-

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ingly. Nor can we assert that just because the real wage rates have not improved in another state, e g, Karnataka, that the real annual income in that state has also *not* improved.

From the available data, one notices that there were wide differences between states in the quantum of employment available to agricultural workers in the early fifties. The Agricultural Labour Enquiries of 1950-51 and 1956-57 give information on the unemployed days per worker in various states.

From Table 3 it can be seen that there were wide interstate disparities not only with respect to the incidence of unemployment among agricultural labourers but also in the rate of change in this incidence between 1950-51 and 1956-57. Although information on the incidence of unemployment is not available for the period covered by our enquiry, we have no basis to argue that inter-state disparities in the rate of change in the incidence of unemployment between 1956-57 and 1971-72 could be ignored. Hence, the need for caution in interpreting inter-state movements in wage rates.

To start with the behaviour of money wage rates in different states, it can be seen clearly from Table 1 that while inter-state disparities in money wage rates declined during the period 1956-57 to 1964-65 (Krishnaji's study brings this out) they widened during the period 1964-65 to 1971-72. The co-efficient of variation (a weighted index with the proportion of male agricultural labourers in each state as weights) shows an increase from 18.46 per cent in 1964-65 to 30.80 per cent in 1971-72 (see Table 4).

On the strength of the observed trend in the inter-state disparities during the period 1956-57 to 1964-65, Krishnaji had predicted that the trend was likely to be towards an inter-regional convergence of money wage rates. In fact, the trend seems to have reversed itself. While a detailed exploration of the

TABLE 1: MONEY WAGE RATES, CONSUMER PRICE INDEX NUMBERS AND REAL WAGE RATES OF AGRICULTURAL LABOURERS IN VARIOUS STATES DURING 1956-57 TO 1971-72

MW= Money Wage Rates (in paise per day)
D = Deflator (ACPI)
RW = Real Wage Rates (in paise per day)

States		1956-57	58-59	59-60	61-62	62-63	64-65	65-66	66-67	67-68	68-69	69-70	70-71	71-72
Andhra Pradesh	MW	114	139	138	157	155	181	192	215	243	247	266	297	273
	D	91	93	99	101	102	125	137	157	161	167	176	171	183
	RW	125	149	139	155	152	145	140	137	151	148	151	174	149
Assam	MW	220	214	223	225	220	230	270	303	—	357	368	392	395
	D	92	101	97	99	107	131	145	190	219	208	186	203	212
	RW	239	212	230	227	207	176	186	159	—	172	198	193	186
Bihar	MW	119	132	119	124	121	161	190	—	—	233	—	—	—
	D	99	112	102	103	107	150	179	229	250	187	202	206	221
	RW	120	118	117	120	113	107	106	—	—	125	—	—	—
Gujarat	MW	144	158	189	175	178	200	207	228	256	260	267	306	335
	D	98	99	94	102	105	133	136	153	160	160	170	173	183
	RW	147	161	201	172	170	150	152	149	160	163	157	117	183
Karnataka	MW	124	141	156	159	159	198	176	180	193	193	—	233	245
	D	89	91	99	100	103	146	171	179	187	182	176	188	192
	RW	139	155	158	159	154	136	103	101	103	106	—	124	128
Kerala	MW	145	155	166	193	225	246	283	333	409	436	446	489	490
	D	94	98	101	106	107	132	150	161	172	195	202	214	211
	RW	154	158	164	182	210	186	189	207	238	224	221	229	232
Madhya Pradesh	MW	107	119	134	130	130	138	152	174	—	192	203	208	225
	D	101	108	101	103	108	139	156	202	219	195	207	198	208
	RW	106	110	133	126	120	99	97	86	—	98	98	105	108
Maharashtra	MW	131	132	120	150	153	189	191	229	247	255	284	278	276
	D	98	99	103	98	107	151	159	175	183	177	183	192	207
	RW	134	133	117	153	143	125	120	131	135	144	155	145	133
Orissa	MW	100	97	95	127	146	192	187	211	176	—	—	212	226
	D	95	94	99	102	121	143	162	191	209	218	213	212	223
	RW	105	103	96	125	121	134	115	110	84	—	—	100	101
Punjab*	MW	227	255	250	287	289	328	414	408	519	626	688	689	693
	D	99	110	103	104	104	139	138	174	193	193	196	194	205
	RW	229	232	243	276	278	236	300	234	269	324	351	355	338
Tamil Nadu	MW	132	130	135	143	148	185	187	210	225	241	247	256	287
	D	98	99	105	113	104	138	143	175	172	177	190	174	187
	RW	135	131	129	127	142	134	131	120	131	136	130	147	153
Uttar Pradesh	MW	80	103	199	113	112	142	177	200	227	232	242	252	261
	D	101	114	103	100	98	164	165	211	236	179	197	183	192
	RW	79	90	96	113	114	87	107	95	196	130	123	138	136
West Bengal	MW	163	165	173	186	180	210	252	288	312	286	301	298	329
	D	100	110	110	105	123	136	170	197	241	200	198	206	210
	RW	163	150	157	177	146	154	148	146	129	143	152	145	157

* For the purpose of this study, the states of Punjab and Haryana (which were separated in 1965-66) are clubbed together.

Source: Wage Rate Figures are estimated from "Agricultural Wages in India" and from data collected from the Directorate of Statistics, Krishi Bhavan, New Delhi.

factors that possibly contributed to this divergence is beyond the scope of this study; one cannot but notice that the relatively high-wage states, experienced relatively fast growth in wage rates in the period beginning with 1964-65. Compound rates of growth of money wages in various states from 1965-66 to 1971-72 given in Table 5. In states like Punjab and Kerala the rates of growth in money wages are much higher compared to the low money wage states like Madhya Pradesh and Uttar Pradesh. Even in this respect, however, the pattern is not clear-cut in that states like Karnataka and Orissa with middle-level of money wage rates are seen to have experienced relatively very low rates of growth during the same period.

For studying the movement in real wage rates, the states can be classified into two groups: states where real wage-rates have risen between terminal years and states where real wage rates have declined over the same period. Taking 1956-57 as base year, by 1971-72 real wage rates seem to have risen in Uttar Pradesh (172), Kerala (151), Punjab (148), Gujarat (125), Andhra Pradesh (119), Tamil Nadu (113) and Madhya Pradesh (102). The two states which have recorded the highest and the lowest rise, *viz*, Uttar Pradesh and Madhya Pradesh, need to be looked into separately. In both these states, the initial absolute level of real wage rates were very low compared to other states. In 1956-57 the average wage rate in Uttar Pradesh was only about one-third of the wage rate which prevailed in Punjab. In 1971-72, there still was a wide disparity between Punjab and Uttar Pradesh wage rates but the disparity was somewhat less than in 1956-57. In Madhya Pradesh also, the average wage rate recorded in the same year was less than half of the Punjab wage rate. Still taking the two terminal years the wage rate in real terms appears to have hardly risen in Madhya Pradesh over a period of fifteen years. In fact, if one took 1959-60 as the base year the real wage rate in Madhya Pradesh can be seen to have registered a substantial decline.

In the states where real wage rates declined during the period 1956-57 to 1971-72, the intensity of decline in the eastern states of Assam, West Bengal and Orissa varied depending on differences in the original wage levels. In the case of Assam there was a 22 per cent decline from the original level of Rs 2.39 whereas in West Bengal and Orissa, the decline was only 4 per cent from Rs 1.63 and Rs 1.05, respectively. In the case of Bihar, unfortunately, we have not been able to collect complete

TABLE 2: INDICES OF REAL WAGE RATES
a = 1956-57 = 100
b = 1961-62 = 100
c = 1964-65 = 100

States		1956-57	58-59	59-60	61-62	62-63	64-65	65-66	66-67	67-68	68-69	69-70	70-71	1971-72
Andhra Pradesh	a	100	119	111	124	122	116	112	110	121	118	121	139	119
	b				100	98	94	90	88	97	96	97	112	96
	c						100	97	95	104	102	104	120	103
Assam	a	100	89	96	95	87	74	78	67	—	72	83	81	78
	b				100	91	78	82	70	—	76	87	85	82
	c						100	106	90	—	98	113	110	106
Bihar	a	100	98	98	100	94	89	89	—	—	104	—	—	—
	b				100	94	89	88	—	—	104	—	—	—
	c						100	99	—	—	117	—	—	—
Gujarat	a	100	110	137	117	116	102	103	101	109	111	107	120	125
	b				100	99	87	88	87	93	95	91	103	106
	c						100	101	99	107	109	105	118	122
Karnataka	a	100	112	114	114	111	98	74	73	74	76	—	89	92
	b				100	97	86	65	64	65	67	—	78	81
	c						100	76	74	76	78	—	91	94
Kerala	a	100	103	107	118	136	121	123	134	155	146	144	149	151
	b				100	115	102	104	114	131	123	121	126	128
	c						100	102	111	128	120	119	123	125
Madhya Pradesh	a	100	104	126	119	113	93	92	81	—	93	93	99	102
	b				100	95	79	77	68	—	78	78	83	86
	c						100	98	87	—	99	99	106	109
Maharashtra	a	100	99	87	114	107	93	90	98	101	108	116	108	99
	b				100	94	82	78	86	88	94	101	95	87
	c						100	96	105	108	115	124	116	106
Orissa	a	100	98	91	119	115	128	110	105	80	—	—	95	96
	b				100	97	107	92	88	67	—	—	80	81
	c						100	86	82	63	—	—	75	75
Punjab	a	100	101	106	121	121	103	131	102	118	142	153	155	148
	b				100	101	86	109	85	97	117	127	129	123
	c						100	127	99	114	137	149	150	143
Tamil Nadu	a	100	97	96	94	105	99	97	90	97	101	96	109	113
	b				100	112	106	103	95	103	107	102	116	121
	c						100	98	90	98	102	97	110	114
Uttar Pradesh	a	100	114	122	143	144	110	135	120	122	165	156	175	172
	b				100	101	77	95	84	85	115	109	122	120
	c						100	123	109	110	149	141	159	156
West Bengal	a	100	92	96	109	90	95	91	90	79	88	93	89	96
	b				100	83	87	84	83	73	81	86	82	89
	c						100	96	95	84	93	99	94	102

data covering the whole period. (Our impression is that starting with a wage rate of Rs 1.20 in 1956-57, at least there was no substantial decline over the period.) Karnataka and Maharashtra are the other two states in which the real wage rates declined during this period. In these states the original levels were Rs 1.39 and Rs 1.34, respectively. In Karnataka the extent of decline was 8 per cent and Maharashtra it was 1 per cent.

When we shift the base year to 1961-62, 5 states, *viz*, Kerala, Punjab, Tamil Nadu, Uttar Pradesh and Gujarat show a rise. In Kerala between 1961-62 and 1971-72 there has been a 28 per cent rise from the level of Rs 1.82, in in Punjab a 23 per cent rise from Rs 2.76, in Tamil Nadu a 21 per cent rise from Rs 1.27, in Uttar Pradesh a 20 per cent rise from Rs 1.13 and in Gujarat a 6 per cent increase from Rs 1.72. In the states of Andhra Pradesh, Assam, Karnataka, Madhya Pradesh, Maharashtra, Orissa and West Bengal (and possibly Bihar also), which together account for more than 70 per cent of the country's agricultural labour force, real wage rates declined during the sixties. It can be seen that in all these states, excepting Assam, real wage rates registered an improvement between 1956-57 and 1961-62. Evidently, this thrust failed to be maintained in subsequent years. The decline in real wage rate was quite substantial in Orissa (19 per cent), Karnataka (19 per cent), Assam (18 per cent), Madhya Pradesh (14 per cent), Maharashtra (13 per cent), and West Bengal (11 per cent). Only in Andhra Pradesh was the decline in real wage rate of the order of 4 per cent.

However, when we shift the base year to 1964-65 for comparing real wage rates, the picture becomes brighter in all the states except Orissa and Karnataka. The declining trend in real wage rates, which we noticed in most states from 1961-62 onwards, seems to have been arrested in the latter half of the sixties. It is significant that during the two disastrous agricultural years of 1965-66 and 1966-67 real wage rates reached rock-bottom levels (a classic case of money wage rates lagging behind spiralling price rises). However, from then onwards, the real wage rate improved except in Orissa.

As we said at the very outset, our principal reason for choosing 1964-65 as one of the base years for purposes of charting the movement of real wage rates of agricultural labourers is to see if the introduction of new technology in agriculture in the form of large-scale use of high-yielding varieties might have had an impact on the movement of wage rates. Though no attempt has been made to analyse precisely how increase in agricultural productivity has helped to raise wage rates, the relationship between the two, to the extent it exists, is brought out in Table 6. Given in the Table is a consolidated index of productivity per hectare of land in different states from 1964-65 to 1971-72. These indices have been arrived at by taking the weighted average of productivity of each agricultural crop (except the plantations), the weights being the share of value which prevailed in 1956-57.

A preliminary examination of the data relating to state-wise increments in agricultural productivity shows that per hectare output increased substantially in Punjab (37 per cent), Gujarat (36 per cent), Karnataka (26 per cent) and Tamil Nadu (25 per cent). Of these four states, three, *viz*, Punjab, Gujarat and Tamil Nadu registered increase in the rural real wage rates: Punjab (43 per cent), Gujarat (22 per cent), and Tamil Nadu (14 per cent). In Karnataka, however, the rural real wage rate not only did not increase but declined by 4 per cent. In Bihar and Kerala also per hectare productivity increases were of the order of 15 per cent or more during this period. But we do not have complete information about Bihar. As for Kerala, the improvement in real wage rate was of the order of 25 per cent.[10] In fact, Punjab, Gujarat, Tamil Nadu and Kerala are the four states which have shown a consistent rise in real wage rates since 1956-57 (allowing, of course, for the dip during the mid-sixties) and they are also the states in which per hectare productivity increase also con-

TABLE 3: UNEMPLOYMENT OF ADULT MEN (CASUAL AND ATTACHED) WORKERS DURING THE YEARS 1950-51 AND 1956-57

States	Casual Adult Male Workers		Attached Adult Male Workers	
	1950-51	1956-57	1950-51	1956-57
Andhra Pradesh	132	126	8	12
Assam	71	94	12	67
Bihar	85	120	21	119
Bombay	137	113	12	38
Karnataka	98	118	38	79
Kerala	125	170	138	145
Madhya Pradesh	77	117	12	45
Orissa	53	135	7	43
Punjab	155	150	41	32
Rajasthan	99	138	19	39
Tamil Nadu	107	162	24	68
Uttar Pradesh	48	124	11	69
West Bengal	93	113	17	47
All India	*90*	*128*	*19*	*68*

Source: "Agricultural Labour in India". Report of Second Enquiry, Ministry of Labour and Employment, Government of India, pp 95-97.

TABLE 4: CO-EFFICIENT OF VARIATION OF MONEY WAGE RATES IN DIFFERENT STATES FROM 1956-57 TO 1971-72
(Percentages)

Year	Co-efficient of Variation
1956-57	25.50
1958-59	21.04
1959-60	25.84
1961-62	23.24
1962-63	21.15
1964-65	18.46
1965-66	23.23
1966-67	22.50
1967-68	27.03
1968-69	28.73
1969-70	31.67
1970-71	31.12
1971-72	30.80

TABLE 5: COMPOUND RATES OF GROWTH OF MONEY WAGE-RATES IN DIFFERENT STATES * FROM 1965-66 TO 1971-72

States	Money Wage Rates in Rs Per Day in 1964-65	Rate of Growth Money Wages (Per Cent)
Punjab	3.28	10.60
Kerala	2.46	9.40
Assam	2.30	7.20
West Bengal	2.10	3.95
Gujarat	2.00	6.85
Karnataka	1.98	4.10
Orissa	1.92	2.62
Maharashtra	1.89	5.20
Tamil Nadu	1.85	5.75
Andhra Pradesh	1.81	6.45
Uttar Pradesh	1.42	6.55
Madhya Pradesh	1.38	6.15

* States are arranged in descending order of money wage rates in 1964-65.

TABLE 6: INDEX OF PRODUCTIVITY PER HECTARE OF LAND IN DIFFERENT STATES (1964-65=100)

States	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
Andhra Pradesh	83	100	95	93	93	92	100
Assam	95	92	95	102	97	101	100
Bihar	93	52	107	112	93	96	116
Gujarat	83	83	107	83	106	134	136
Karnataka	75	95	102	108	118	121	126
Kerala	92	99	101	107	104	109	115
Madhya Pradesh	66	63	99	87	92	95	105
Maharashtra	72	86	99	103	97	83	81
Orissa	77	87	86	107	95	95	84
Punjab	86	101	116	120	129	130	137
Tamil Nadu	92	102	101	99	107	117	125
Uttar Pradesh	88	78	100	98	105	103	99
West Bengal	85	85	91	100	103	99	107

Source: "Area and Production of Principal Crops in India", published by the DES, Ministry of Agriculture, New Delhi.

sistently improved over the same period. We do not wish, however, to go any further to suggest how, if at all, productivity increases in per hectare terms get necessarily translated into wage rate increases. We doubt very much if this could at all come about automatically. The question, therefore, would still remain with respect to the compulsions in response to which wage increases take place even in states registering productivity improvement.

In conclusion it may be noted that while according to earlier studies wage rates improved significantly in real terms only in Punjab (including Haryana) and Kerala, our extension of the series to 1971-72 leads us to conclude that real wage rates improved not only in Punjab and Kerala, but also in Tamil Nadu, Uttar Pradesh and Gujarat. Still these states account for less than 30 per cent of the agricultural labour force in the country. Our study also brings out that inter-state disparities in many wage rates have tended to increase since 1964-65.

Notes

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N Krishnaji "Wages of Agricultural Labour", *Economic and Political Weekly*, Vol 6, No 39, September 25, 1971.

P K Bardhan "Green Revolution and Agricultural Labourers" *Economic and Political Weekly*, Special Number, July 1970.

Robert W Herdt and Edward A Baker "Agricultural Wages, Production and the High-Yielding Varieties", *Economic and Political Weekly*, Vol 8, No 13, March 25, 1972.

4 The author is very grateful to the officials of the Directorate of Statistics, Krishi Bhavan, New Delhi, who kindly arranged to provide the required data for this study.

5 In the "Agricultural Wages in India" wage rates for the category 'field labour' are reported for states like Andhra Pradesh, Assam, Gujarat, Kerala, Maharashtra, Karnataka, Orissa, West Bengal, Tripura and Himachal Pradesh. In the case of other states wage rates for the different categories of 'field labour' are given; but not for 'field labour' as such.

6 In the data available with us for Kerala for the period July 1971 to June 1972, 13 out of 19 reporting centres recorded the same wage rates. The same phenomenon was observed in Tamil Nadu in the case of 15 out of 25 centres, in 11 out of 18 centres in Punjab/Haryana, in 10 out of 16 centres in Assam and in 17 villages out of 24 centres in Gujarat. In the case of Uttar Pradesh, Madhya Pradesh, Maharashtra, Karnataka and Rajasthan, in almost all the centres where wage data are available continuously for 12 months, there is no variation in wage rates reported. Also in the case of West Bengal (where only district-wise rates are available) there is no noticeable inter-seasonal variation present. Andhra Pradesh is the only state where one notices some amount of seasonal variation in wage rates. However, in the case of reporting centres where wage rates do not remain the same for all the twelve months of the agricultural year they do not seem to follow any definite seasonal pattern. These variations are generally in the upward direction; if the wage rate rises to a higher level in any particular month it tends to stick to that level without coming down, and appears to reflect mainly secular changes.

7 V M Rao, "Agricultural Wages in India — A Reliability Analysis", *Indian Journal of Agricultural Economics*, Vol XXVII, No 3, July-September 1972.

8 The revised estimates of ACPI are estimated using the weighting diagram for consumer goods obtained from the 1956-57 Agricultural Labour Enquiry. Since in these four states about 80 per cent of the consumer expenditure is incurred on food out of which cereals account for 70 per cent, the movements in the average farm prices of cereals were taken as a rough index of the movements in ACPI in each state. The price indices of different cereals were weighted with the relative importance of each item in the diet pattern of every state. From the consolidated index of cereal price movements, alternate estimates of ACPI were worked out backwards for Gujarat and Maharashtra for the years prior to 1960-61 and for Uttar Pradesh and Tamil Nadu prior to 1964-65.

9 It may be noted that the money wage-rates for different states given in Table 1 are markedly different from those furnished in the Herdt and Baker paper. This disparity has stemmed mainly from differences in the methodology followed in the two studies. It is difficult to identify the precise source of data in the Herdt and Baker study. It is mentioned that the "the average daily money wage-rates by months were obtained for a number of locations from wage data published in *Agricultural Wages in India* and the *Agricultural Situation in India*. For each month, observations from between three and nine locations in each region were averaged to obtain representative wage for the nine regions". *Agricultural Wages in India* have been so far published upto the period 1965-66. If Herdt and Baker have collected wage data for the subsequent years from *Agricultural Situation in India* those figures are likely to be misleading, as they are inadequate for the kind of analysis they have done. Every month *Agricultural Situation in India* reports wage-rates prevailing in one or two or at the most three centres in each state. These figures are by no means representative of a whole state, and using them would certainly introduce a bias into the analysis. On the other hand, in this study, in each state, district-wise wage rates have been collected for the period under study. Again, for estimating state-wise figures, instead of taking a simple average, we have opted for a weighted average, the weights being the relative proportion of male agricultural labourers in each district as per 1961 Census report. These factors might explain the differences in the two sets of estimates.

10 In an earlier paper by me ("Wage Rates of Agricultural Labourers in Kerala", in *Economic and Political Weekly*, Annual Number, 1973, pp 281-88) I had explained that the wage rate improvement in Kerala was possibly lower than when calculated on the basis of ACPI numbers. It is not certain, however, if the factors which operate in Kerala give reason for one to question the use of ACPI numbers as deflators for other states, either in the same measure or at all.

Character of Poverty among Rural Labour

A Study of West Godavari District

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There are very few empirical studies which throw light on the association between poverty and other characteristics. We need to know in which regions and for what class of people poverty can be identified with unemployment and areas and categories in respect of which poverty has other implications.

The data collected by the authors on employment and unemployment of rural labour in West Godavari district are examined in this article to throw light on this problem.

DANDEKAR AND RATH concluded in the section on rural poor as follows: "In spite of these rather old and fragmentary data it is clear that the rural poor consist predominantly of agricultural labour households and small landholders with cultivated holdings less than 5.0 acres and particularly less than 2.5 acres.... The urban poor are only an overflow of the rural poor into the urban areas. Fundamentally they belong to the same class as the rural poor."[1] They estimated that out of the 40 per cent of rural poor the bulk, i e, 30 per cent, are poor because they are unemployed. Thus they presume a strong association between poverty and unemployment. Amartya Sen, in a recent address at the Indian Statistical Institute at Calcutta, objects to the procedure of measuring unemployment by a low income norm.[2] Raj Krishna has pleaded for the presentation of separate estimates of poor and unemployed.[3] There are very few empirical studies which focus light on the association between poverty and other characteristics. We need to know in which regions and for what class of people poverty could be identified with unemployment and areas and categories in respect of which poverty has other implications. The data collected by us on employment and unemployment of rural labour in West Godavari district[4] are examined to throw light on this.

Dandekar and Rath estimated per capita total annual consumption requirement to ensure a minimum calorie equivalent of daily diet at 1961-62 prices. The figure for Andhra Pradesh is Rs 236, at 1961-62 prices. The consumer price index of agricultural labour in Andhra Pradesh in 1971-72 was double that of 1961-62 prices. At the 1971-72 prices a per capita income of about Rs 450 is required to ensure the minimum level of consumption.

An alternative procedure is also adopted to arrive at the minimum level of expenditure required. In a revealing article "The Concept and Measurement of 'Minimum Living Standards'", N N Franklin reviewed[5] various studies made in measuring minimum living standards. He particularly commended the procedure adopted by Rowntree and Laver.[6] Rowntree and Laver sought information on how much different families actually do spend on meeting different needs and regarded the actual expenditure (of some proportion of families at the more frugal end of the spectrum) in obtaining what is considered necessary for maintenance of health and working capacity. He, however, feels that the proportion suggested, i e, 25 per cent is too large. Our data do not enable us to make this type of estimate. However, we have data relating to consumption expenditure incurred by rural labour families on a day during a busy agricultural season. Assuming that in the peak season rural labour get adequate employment and wage income enabling them to consume the minimum food requirement, the average expenditure of the top ten per cent of rural labour households in respect of food consumption is considered. If all the labour households could be assured of getting this level of income it should enable them also to spend adequately on obtaining what is considered as minimum food requirement. The average per day per capita consumption expenditure on food in the top ten per cent families is observed to be Rs 1.27 and the annual per capita income requirement would work out to Rs 463.55. On the other hand the average per capita per day expenditure on food in respect of all the rural labour households in Re 0.74. If the goal is to ensure this average per capita expenditure for all the rural labour households then the average per capita per annum food budget would come to Rs 270.10. In view of this, two levels of poverty are chosen:

(a) at the level of Rs 450 per capita; and

(b) at the level of Rs 300 per capita.

To examine the association between levels of poverty and other character-

TABLE 1 : ASSOCIATION OF POVERTY WITH OTHER VARIABLES

Association of Poverty with	Degrees of Freedom	Chi-square Values Calculated			
		Poverty Level being at Rs 450 Per Capita Per Annum		Poverty Level being at Rs 300 Per Capita Per Annum	
		All Labour Households	Landless Labour Households	All Labour Households	Landless Labour Households
(a) Land possession	1	6.55**	—	6.83**	—
(b) Worker-dependant ratio	1	0.49	1.29	5.43*	5.10*
(c) Presence of female workers or otherwise	1	0.27	2.34	0.73	0.00
(d) Average wage rate	1	0.27	0.00	0.18	0.24
(e) Size of the family	1	2.21	4.02*	6.01*	6.15*
(f) Average level of employment	1	1.55	0.74	9.34**	2.94
(g) Caste	1	1.08	2.08	0.19	1.52
(h) Regional variations	2	2.09	2.07	2.39	2.50

* Significant at 5 per cent level.
** Significant at 1 per cent level.

Note: Table value of X^2 for one degree of freedom at 5 per cent level is 3.84 and at 1 per cent level 6.64; for two degrees of freedom at 5 per cent level it is 5.99 and at 1 per cent level 9.21.

istics two-by-two *contingency* Tables (see Appendix I) are constructed. The variables chosen for examining the association are:

(a) possession of land;[7]
(b) average wage rate;[8]
(c) worker-dependant ratio;
(d) size of the family;
(e) presence or absence of female workers;
(f) average level of employment;[9]
(g) regional variations;[10] and
(h) caste.[11]

The association is examined for landless and landed labour together and separately for landless labour. Chi-square test is adopted to judge the significance of association. The results of X^2 at Rs 450 per capita level are as follows:

For all rural labour, i e, landed and landless possession of land alone is found to have significant association, the landless being significantly different in respect of poverty as compared to the landed. The regional characteristics, wage rate, employment, caste and family characteristics have no significant association with poverty when landed and landless are considered together.

The exercise is repeated by taking the landed households out of the analysis and confining the examination only to landless households. The results are found to be different. Size of the family which was not significant when both the groups are clubbed together assumed significance when landless alone are considered. But surprisingly neither employment nor wage rate are found to be significant.

When poverty level is reduced to Rs 300 per capita land ownership, worker-dependant ratios and size of the family became significant variables explaining the association when all labour is considered. Significant association was found between level of per capita income and level of employment. However, wage rate was not significant. The exercise is repeated for landless labour separately. Even here no significant association is found between employment and poverty (see Table 1).

Dandekar and Rath presumed that 75 per cent of the poor are poor because they are unemployed and only 25 per cent of the poor because of the family characteristics. In this analysis we have taken a group which is considered to comprise the bulk of the the rural poor, *viz*, landless labour and *small cultivators. Even in this group* surprisingly association as measured by X^2 test between level of employment and poverty is not found to be significant.

This requires further probe. Unemployment and poverty may not be *significantly associated if the households* which show higher levels of employment record higher size of the family, lower proportion of supporting women

TABLE 2: MEAN LEVELS AND ELASTICITIES AT MEAN LEVELS

	Variable		Mean Level	Elasticity of Per Capita Income
(1)	Per capita income	Rs	351.25	—
(2)	Wage rate	Rs	2.54	0.88
(3)	Employment	Days	200.65	0.37
(4)	Size of household	No	4.31	—0.09
(5)	Workers as per cent of members in the household	Per Cent	58	0.79
(6)	Size of land-holding	Acres	0.24	0.14

APPENDIX I (A): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND LEVEL OF EMPLOYMENT PER WORKER

Level of Employment	All Households				Landless Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level		Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty
240 days and below	61 (77.2)	19 (90.5)	28 (66.7)	52 (89.7)	44 (74.6)	8 (88.9)	24 (68.6)	28 (84.8)
Above 240 days	18 (22.8)	2 (9.5)	14 (33.3)	6 (10.3)	15 (25.4)	1 (11 1)	11 (31.4)	5 (15.2)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)	59 (100.0)	9 (100.0)	35 (100.0)	33 (100.0)

Note: Figures in the brackets indicate percentage distribution of households in the respective groups.

APPENDIX I (B): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND AVERAGE WAGE RATE PER DAY

Average Wage Rate Per Day	All Households				Labour Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level		Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty
Rs 2.50 and below	29 (36.7)	6 (28.6)	14 (33.3)	21 (36.2)	24 (40.7)	4 (44.4)	13 (37.1)	15 (45.5)
Above Rs 2.50	50 (63.3)	15 (71.4)	28 (66.7)	37 (63.8)	35 (59.3)	5 (55.6)	22 (62.9)	18 (54.5)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)	59 (100.0)	9 (100.0)	35 (100.0)	33 (100.0)

Note: Figures in brackets indicate percentage distribution of households in the respective groups.

workers, lower weighted wage rate per *worker and lower number of workers* per household. The range of employment per casual labourer among landless labourers varies between 89 days and 360 days. But there was only one household reporting above 300 days and one household less than 100 days of employment per worker. Therefore the data are studied in three frequency groups of employment, *viz,*

(i) 180 days and below;
(ii) above 180 days to 240 days; and
(iii) above 240 days.

The distribution of the 68 landless households among the three groups is 19, 32 and 17 respectively. As expected the average size of the family was found to be larger in groups recording higher level of employment per worker in the household. Average number of workers per household was also found to be lower in the group recording above 240 days of employment per worker. The weighted wage rate was lower. The proportion of women workers is also low. The families which could escape poverty at lower levels of employment were fortunately situated in respect of family characteristics as compared to general average. Thus it is not the extremely large size of the family or a higher worker-dependant ratio that was responsible for lack of association between employment and poverty. Those families which recorded low levels of employment but are found to be above the poverty level as defined by us were in a particular phase of life cycle with high proportion of workers. (Detailed Tables are given in Appendix II.)

To examine this we categorised the households by employment level and income levels. A household with a per capita income of Rs 450 is considered poor and a household with per worker level of employment of more than 240 is considered fully employed. Based on these two norms four groups are identified and their respective distribution among the landless labour families are as follows:

(1) Poor and fully employed 23.5 per cent
(2) Poor and unemployed 61.8 per cent
(3) Not poor but unemployed 13.2 per cent
(4) Not poor and fully employed 1.5 per cent

Among these groups the poor and fully employed and unemployed but not poor are chosen for detailed examination. (Details relating to the characteristics of these households are presented in Appendix III.)

Those who have escaped poverty even at low levels of employment among landless labour are found to have some unique characteristics. In

APPENDIX I (C): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND POSSESSION OF LAND

Position of Land Possession	All Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty
Landed	20 (25.3)	12 (57.1)	7 (16.7)	25 (43.1)
Landless	59 (74.7)	9 (42.9)	35 (83.3)	33 (56.9)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)

Note: Figures in brackets indicate percentage distribution of households in the respective groups.

APPENDIX I (D): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND SIZE OF THE HOUSEHOLD

Size of the Household	All Households				Landless Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level		Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty
Four and below	41 (51.9)	15 (71.4)	18 (42.9)	38 (65.5)	33 (55.9)	8 (88.9)	16 (45.7)	25 (75.8)
Above four	38 (48.1)	6 (28.6)	24 (57.1)	20 (34.5)	26 (44.1)	1 (11.1)	19 (54.3)	8 (24.2)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)	59 (100.0)	9 (100.0)	35 (100.0)	33 (100.0)

Note: Figures in brackets indicate percentage distribution of households in the respective groups.

APPENDIX I (E): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND NUMBER OF DEPENDANTS PER WORKER

Number of Dependants Per Worker	All Households				Landless Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level		Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty
Two and below	67 (84.8)	19 (90.5)	32 (76.2)	54 (93.1)	51 (86.4)	9 (100.0)	28 (80.0)	32 (96.7)
Above two	12 (15.2)	2 (9.5)	10 (23.8)	4 (6.9)	8 (13.6)	—	7 (20.0)	1 (3.3)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)	59 (100.0)	9 (100.0)	35 (100.0)	33 (100.0)

Note: Figures in brackets indicate percentage distribution of households in the respective groups.

almost all the households all members of the family are found to be workers. On the other hand the fully employed but poor do not have exceptionally large families but most of them belong to dry region and get a low weighted wage rate per worker. Therefore, much reliance should not be placed on the observed lack of association revealed in Chi-square test between levels of employment and levels of poverty.

A further exercise in identifying the characteristics of poverty relates to households which report that members of the family are engaged as permanent farm servants in cultivator households. Out of 68 households, 11 report this phenomenon, and the total workers engaged as permanent farm servants are 13 out of 99 male workers. Six of them are cow-boys. In the agricultural sector working as permanent farm servant imposes a disability without conferring very much the benefits of permanent service that are conferred on workers in other sectors. We separated these households from the rest of landless labour households and examined the family characteristics (see Appendix IV). It is noticed that the average size of the family of the households reporting permanent farm servants is far higher. The number of workers is also higher. One possible inference is that those who tie themselves to cultivator families are large sized families which seek at least some stable incomes through secure employment for at least some members of the family. It is also noticed that the average debt of permanent farm servant households is higher.

The Chi-square tests in two-by-two contingency tables are likely to be blunted. First, the tests are likely to be dependent upon the way in which the characteristics are classified into two levels, one lying below and the other above Rs 450. It is found that for all the labour households only size of the holding is associated with per capita income. On the other hand, if the break-even income level chosen happens to be Rs 300 not only size of the family, but worker-dependant ratio and level of employment are found to be associated with per capita income. What is said of classification in respect of per capita income applies equally well to classification of any of the characteristics considered. The point is that when characteristics are capable of being quantitatively measured, zero-order correlations are better measures of linear dependance between any two characteristics. Secondly and more importantly, these tests examine the possible association between characteristics taken two at a time. It is possible that one of the characteristics is being systematically influenced by outside factors and therefore Chi-square test may not be able to detect the true degree of association between the two characteristics in question.

If per capita income levels for the rural households are in fact simultaneously influenced by many independent factors, it is through regression analysis rather than contingency tests that we may hope to detect and unravel the influence of each of the independent factors on the dependent variable. Accordingly, a classical regression model is set up. The variables included are as follows:

X_1 — annual per capita income (in rupees)

X_2 — annual wage income/number of days employed during the year

X_3 — number of days employed during the year/number of workers

X_4 — number of members in the household

X_5 — workers as per cent of members in the household

X_6 — size of land holding (in standard acres)

The hypothesis posited is that annual per capita income depends upon wage rate, employment, size of the household, percentage of workers in the household, and size of the land possessed. We specify that the relationship is linear.

The equation estimated for all the hundred households is given below:

(1) $X_1 = -381.47 + 121.15\ X_2 + 0.65\ X_3 - 7.46\ X_4 + 4.80\ X_5 + 209.63\ X_6$
(— 3.59) (5.41) (3.06) (— 1.21) (10.14) (9.41)

The figures in the brackets denote the t-ratios. The co-efficient of multiple correlation, R^2 is 0.69, signifying that sixty-nine per cent of the sampling variations found in X_1 is explained by the factors X_2, X_3, X_4, X_5, and X_6. The signs obtained for all the co-efficients are as may be theoretically justified. All the estimated co-efficients except that for X_4 are significant at 1 per cent level.

Interpreting the co-efficients in equation (1) as 'propensities' or partial derivatives, we find that, other things being equal:

(i) An increase in the wage rate by a rupee is associated with an increase in per capita income by Rs 121.15,

(ii) An increase in employment per worker by a day during the year leads to an increase in per capita income by Re 0.65,

(iii) An increase in the size of the household by one member results in a decline in per capita income by Rs 7.46,

APPENDIX I (F): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND PRESENCE OF FEMALE WORKERS IN THE FAMILY

Presence of Female Workers in the Family	All Households				Landless Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level		Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty
Yes	54 (64.6)	15 (71.4)	26 (61.9)	40 (69.0)	41 (69.5)	8 (88.9)	25 (71.4)	24 (72.7)
No	28 (35.4)	6 (28.6)	16 (38.1)	18 (31.0)	18 (30.5)	1 (11.1)	10 (28.6)	9 (27.3)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)	59 (100.0)	9 (100.0)	35 (100.0)	33 (100.0)

Note: Figures in brackets indicate percentage distribution of households in the respective groups.

APPENDIX I (G): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND CASTE OF THE HOUSEHOLD

Caste	All Households				Landless Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level		Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty
Scheduled castes, Scheduled tribes, and Christians	26 (32.9)	9 (42.9)	14 (33.3)	21 (36.2)	23 (39.0)	6 (66.7)	12 (34.3)	17 (51.5)
Others	53 (67.1)	12 (57.1)	28 (66.7)	37 (63.8)	36 (61.0)	3 (33.3)	23 (65.7)	16 (40.5)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)	59 (100.0)	9 (100.0)	35 (100.0)	33 (100.0)

Note: Figures in brackets indicate percentage distribution of households in the respective groups.

APPENDIX I (H): DISTRIBUTION OF HOUSEHOLDS BY LEVEL OF POVERTY AND REGION

Region	All Households				Landless Households			
	Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level		Poverty at Rs 450 Per Capita Level		Poverty at Rs 300 Per Capita Level	
	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty	Below Poverty	Above Poverty
Region I	30 (38.0)	10 (47.6)	15 (35.7)	25 (43.1)	22 (37.3)	3 (33.3)	15 (42.8)	10 (30.3)
Region II	31 (39.2)	9 (42.9)	16 (38.1)	24 (41.4)	20 (33.9)	5 (55.6)	10 (28.6)	15 (24.2)
Region III	18 (22.8)	2 (9.5)	11 (26.2)	9 (15.5)	17 (28.8)	1 (11.1)	10 (28.6)	8 (24.2)
Total	79 (100.0)	21 (100.0)	42 (100.0)	58 (100.0)	59 (100.0)	9 (100.0)	35 (100.0)	33 (100.0)

Note: Figures in brackets indicate the percentage distribution of households in the respective groups.

APPENDIX II

(a) Association between Level of Employment and Size of Family

Level of Employment	Range of Members	Mean	Extremes	
			2 and Below	Above 5
180 days and below	1 - 7	3.84	5 (26.3)	3 (15.78)
Above 180 to 240 days	2 - 8	4.25	7 (21.87)	8 (25.0)
Above 240 days	2 - 8	4.23	3 (17.64)	4 (23.52)
Total	1 - 8	4.13	15 (22.05)	15 (22.05)

(b) Association between Level of Employment and Proportion of Women Workers

Level of Employment	Range	Mean Proportion	Median	Extremes	
				33 Per Cent and Below	Above 67 Per Cent
180 days and below	0 - 100.0	51.2	50.0	5 (26.31)	3 (15.78)
Above 180 days to 240 days	0 - 50.0	31.0	41.5	16 (50.0)	—
Above 240 days	0 - 50.0	22.5	33.0	9 (52.44)	—
Total	0 - 100.0	34.5	50.0	30 (44.1)	3 (4.41)

(c) Association between Level of Employment and Wage Rate

Level of Employment	Range of Wage Rate	Mean Wage Rate	Median Wage Rate	Extremes	
				Rs 2 and Below	Above Rs 3
180 days and below	2:00 to 2.98	2.49	2.49	1 (5.3)	—
Above 180 days to 240 days	1.63 to 3.37	2.57	2.70	4 (12.5)	2 (6.25)
Above 240 days	1.19 to 3.04	2.22	2.50	8 (47.05)	1 (5.88)
Total	1.19 to 3.37	2.46	2.55	13 (19.1)	3 (4.4)

(d) Association between Level of Employment and Total Number of Workers in the Household

Level of Employment	Range of Workers	Mean	Extremes	
			One	Four nd Above
180 days and below	1 - 5	2.26	5 (26.3)	2 (10.5)
Above 180 days to 240 days	1 - 5	2.34	2 (6.25)	5 (16.62)
Above 240 days	1 - 4	1.94	6 (35.29)	2 (11.7)
Total	1 - 5	2.22	13 (19.1)	9 (13. :3)

Note : Figures in brackets indicate percentage of households on the extremes as indicated.

(iv) If the number of workers as per cent of the members in the household increases by one, per capita income increases by Rs 4.80, and

(v) An increase in the land owned by the household by one (standard) acre is associated with an increase in per capita income by Rs 209.63.

The mean levels and the elasticities computed at the mean levels are given in Table 2. The elasticities[12] of per capita income with respect to each of the factors — wage rate, employment, size of household and size of land possessed — are all less than unity. It is significant to note that the elasticities with respect to wage rate and worker-member ratio are significantly greater than the remaining.

Equation (1) helps to identify the underlying causes of poverty and to suggest policy measures designed to eradicate poverty. If a per capita income of Rs 450 in 1971-72 prices is regarded as the critical poverty income level, the following measures, taken separately, or as a weighted combination, would lift the current average per capita income Rs 351.25 to Rs 450.

(A) Raise the wage rate by Re 0.82;

(B) Increase employment by 152 days; (this is unrealistic considering the current levels of employment — 201 days);

(C) Increase the percentage of workers in the total household from the current level of 58 to 79;

(D) Increase the land holding from the current level of 0.24 to 0.71 (wet) acres.

The average size of the household being 4.31, not much can be done by way of limiting the size of the family. If possibilities of land redistribution on any significant scale are ruled out, policy measures A and B imply employment oriented technology with autonomous gain in productivity.

Summary

This paper presents character of poverty among rural labour households. The data are drawn from a sample study of "Employment and Unemployment of Rural Labour" conducted in West Godavari district for the period 1971-72. Two poverty levels are chosen, *viz*,

(i) per capita income of Rs 450, and

(ii) per capita income of Rs 300.

Eight variables namely:

(a) possession of land;
(b) average wage rate;
(c) worker-dependant ratio;
(d) size of the family;
(e) presence or absence of female workers;
(f) average level of employment;
(g) regional variations; and
(h) caste

are chosen and poverty levels are related to suitably classified levels of each one of these variables. Two-by-two contingency tables are constructed and by means of Chi-square tests the association between poverty and other variables is judged. The results of the Chi-square tests did not show association between poverty and employment or wage rate except in one case. Therefore, a further disaggregated study of households categorised into four groups based on employment levels and poverty levels is made. Sixty-two per cent of the households are found to be poor and unemployed and those who escape poverty even at low levels of employment among landless labour are found to belong to a certain phase of the life cycle of the farmers.

To measure quantitatively the significance of other variables on per capita income a multiple regression of linear type is run. For this purpose five independent variables, *viz*,

(1) wage rate;
(2) employment;
(3) size of the household;
(4) workers as a percentage of members in the household; and
(5) size of land holding

Appendix III : Characteristics of Households

Sl No	Size of Household	Total Workers	Average Wage Rate	Female Workers	Region (Dry/Wet)
		(a) Unemployed but Not Poor			
(1)	5	5	2.30	2	Wet
(2)	2	2	2.80	1	,,
(3)	3	3	2.78	1	,,
(4)	4	4	2.92	1	,,
(5)	3	3	2.49	1	,,
(6)	2	2	2.47	1	,,
(7)	2	2	2.51	1	,,
(8)	3	2	2.83	0	,,
(9)	2	2	2.50	1	,,
		(b) Fully Employed but Poor			
(1)	4	4	1.25	2	Wet
(2)	7	1	2.99	0	,,
(3)	8	4	2.90	0	,,
(4)	2	1	2.70	0	,,
(5)	4	1	2.84	0	,,
(6)	3	1	3.04	0	,,
(7)	4	2	1.60	1	Dry
(8)	2	2	1.40	1	,,
(9)	2	2	1.60	1	,,
(10)	4	2	1.92	0	,,
(11)	6	2	1.59	1	,,
(12)	3	1	3.00	0	,,
(13)	7	3	1.23	1	,,
(14)	5	1	3.00	0	,,
(15)	4	2	1.19	1	,,
(16)	4	2	2.50	1	,,

Appendix IV : Characteristics of Households with Permanent Farm Servants as Compared with Others

Factor	Households with Permanent Farm Servants	Others	Total
Average size	5.2	3.9	4.1
Average number of workers	2.6	2.2	2.3
Ratio of workers to population	0.50	0.56	0.56
Average outstanding debt (Rs)	195.45	104.56	119.26

are chosen. Sixty-nine per cent of the sampling variations found in X_1 are explained by the factors chosen. The estimated co-efficients are all significant at 1 per cent level except one in the case of (3) above. An increase in employment per worker by a day leads to an increase in per capita income by Re 0.65. An increase in wage rate by a rupee is associated with an increase in per capita income by Rs 121.15. If possibilities for land redistribution among rural labour on any significant scale are ruled out the policy implications are employment-oriented technology with autonomous gain in productivity.

Notes

1 V M Dandekar and Nilakantha Rath, "Poverty in India", *Economic and Political Weekly*, January 2 and 9, 1971.

2 Amartya Sen, "Dimensions of Unemployment", *Mainstream*, January 12, 1974.

3 Raj Krishna, "Unemployment in India", *Economic and Political Weekly*, March 3, 1973.

4 G Parthasarathy and G Dasaradha Rama Rao, "Employment and Unemployment of Rural Labour and Crash Programme: A Study of West Godavari District", Andhra University Waltair (Mimeo) and also G Parthasarathy and G Dasaradha Rama Rao, "Employment and Unemployment among Rural Labour Households", *Economic and Political Weekly*, (Review of Agriculture) December 29, 1973.

The district of West Godavari was stratified into three agro-economic regions and from each of the regions one typical block was selected. From these ten villages were chosen with probability being proportional to the percentage of agricultural labour to total workers according to 1961 census in each of the regions. One hundred households from the universe comprising all households which reported their principal activity to be unskilled wage paid employment and all those where at least one member offered himself or herself for unskilled wage employment for a continuous period of three months. The distribution of this sample among the selected villages was proportional to the size of the universe in the village keeping a minimum limit of 8 and maximum of 12 households.

5 N N Franklin, "The Concept and Measurement of 'Minimum Living Standards'", *International Labour Review*, Vol 95, January-June, 1967.

6 B S Rowntree and G R Laver, "Poverty and the Welfare State", London, Longmans, Green and Co, — as referred to by Franklin in his article.

7 Land area is in terms of standardised acres. Considering the land revenue paid all area is converted into standard wet acres.

8 Average wage rate is total wage income earned by the family/total days of wage employment, irrespective of sex of the worker.

9 Average level of employment is total days of wage employment/number of casual workers in the household, irrespective of the sex of the worker.

10 The district of West Godavari was stratified into three agro-economic regions:

(i) double cropped rice area;

(ii) rice-sugarcane crop complex area; and

(iii) upland area where dry crops like chillies, tobacco and millets are grown.

11 Scheduled Castes, Christians and Scheduled Tribes are grouped as one category and all others are grouped as a second category.

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Hypothesis Testing in Relation to Cobb-Douglas Myths

Ashok Rudra

ANDERSON AND JODHA'S comments[1] on my article[2] raises some interesting points of Statistical Inference Theory which call for further discussion. To enable me to react to their comments it is necessary to quote somewhat extensively from their writing which I do in the following.

(A) "To summarise, Ashok Rudra still seems impressed 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 seem further declared by his exploitation of the C-D model in the promised follow-up Numerical Exercises. It is not easy to reconcile his vigorous criticism of the allocative efficiency school with his continued acceptance of the C-D function."

After recounting some of the well known 'algebraic-cum-economic restrictiveness' of that functional form, they comment on some tests proposed by me in the following words:

(B) "The conditional question he is *asking is, effectively,* 'Do farmers maximise profits given that they are operating under a C-D production function that is common to all members of some group (i e, common C-D technology)?'"

Further they argue:

(C) "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 the hypotheses by the usual presumption 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?"

I would comment on (B) and (C) before taking up (A). I would readily agree that (B) is a correct statement of what I am doing while not agreeing with all the arguments made in (C) against such a procedure. I would emphasise that almost all statistical tests are conditional tests and almost all statistical tests could be regarded as 'inconclusive' in the sense in which it is understood in paragraph (C) above. Consider a small sample test for the hypothesis H_0 ($m_1=m_2$) where m_1 and m_2 are the means of two populations. The usual t-test involves a composite hypothesis H consisting of the following components:

- A_1 Both the populations are normal;
- A_2 The sample observations in each case could be regarded as independently drawn from the respective population;
- A_3 The two samples are independent of each other;
- A_4 The standard deviations of the two populations are equal and then H_0 $m_1=m_2$

A significant t value need not therefore imply rejection of H_0 above. Falsity of any one of A_1 A_2 A_3 and A_4 could give rise to a significant result for t. Conversely, even when $m_1=m_2$ is untrue, the t may fail to be significant because of one of A_1 A_2 A_3 and A_4 not being valid. Hence, in interpreting the t result as applying only to H_0, one is saying exactly this: "*Given* the assumptions A_1 A_2 A_3 and A_4, the test rejects (or does not reject) H_0" and *this is precisely* the type of conditional statement quoted in B above to which Anderson and Jodha find objections.

According to the suggestions made by the authors in paragraph (C) above, one should first test for A_1 A_2 A_3 and A_4 *in that* sequential order and then only test for H_0. The authors must be aware that such a course is very rarely, if ever, taken. Practical difficulties there are: there is no satisfactory small sample test for A_1 and tests for A_2 and A_3 are also difficult. Given A_1 A_2 and A_3, there is a standard test for A_4 and that *is indeed* often carried out. But not doing something because of practical difficulties does not amount to a logical defence of any procedure. The logical position that would be taken by one conducting a test for H_0, assuming the validity of A_1 A_2 A_3 and A_4, would be on the following lines: "Prior knowledge about the problem in hand *provides sanction for accepting* A_1 A_2 A_3 and A_4 *without testing for them,* so that the *test for the composite* hypothesis H amounts to a test for the simple hypothesis H_0". But it has to be recognised that quite often such prior knowledge *is not really* available and sometimes it cannot even be had in principle. Thus, if a regression test involves an error term which is assumed to be normal, *the normal population* in most cases is a hypothetical one and there is no test possible for the normality of a hypothetical population, nor can there be any prior knowledge about the error term's stochastic properties. Again, if there is a sample of observations which are unique in the sense that repeated observations are not possible (e g, dated macro-economic magnitudes) *there is no means of* having any prior knowledge about the stochastic properties that are ascribed to them in econometric models.

We can come now *to the testing* of the allocative efficiency hypothesis. The hypothesis that has been tested by Hopper and others has the following component hypothesis:

- A_1 There is a common production function underlying each farm;
- A_2 The common form is the Cobb-Douglas form;
- A_3 The logarithm of the multiplicative error term is distributed normally, independently and with a constant standard deviation;
- H_0 Each farmer's input-output combination is such as to maximise his profit.

The non-significant t-test results presented by Hopper and others are to be interpreted in the following way: "Given the assumptions A_1 A_2 and A_3, test results do not suggest rejection of H_0".

It is in this context that my attitude towards the Cobb-Douglas production function as revealed in the alternative tests proposed by me is to be judged. I was interested primarily in hypothesis H_0 and only subsidiarily in A_1 A_2 and A_3. If my alternative test procedure would test for a composite hypothesis that would involve H_0 and assumptions B_1 and B_2, etc, different from A_1 A_2 and A_3 then a different test result obtained by following the procedure would be open to interpretation as following from differences in the assumptions and it would therefore be inconclusive with respect to H_0. So my test procedure makes exactly the same three assumptions A_1 A_2 and A_3 as made by Hopper and others and I would take the view that the onus of justifying the assumptions A_1 A_2 and A_3 rests with them. The interpretation of the significant test results presented in my subsequent joint paper[3] would be as follows, "Given the assumptions made by Hopper and others, a properly formulated test procedure would reject the hypothesis of profit maximisation". I do not think that the procedure followed by me could be interpreted as declaration of any faith *in the assumptions* A_1 A_2 and A_3. In this connection, I may emphasise that I could not have taken such an agnostic position *vis-a-vis* A_1 A_2 and A_3 if I were engaged, not in refutation of a hypothesis advanced by others, but in advancing a hypothesis of my own. In the latter case the problem would be not of Hypothesis Testing but of Estimation and of model building. If I were to put forward a model involving a few component hypotheses, it would surely be incumbent on me to check the validity of each of those component hypotheses. Also if I had put forward H_0 myself then only could it have been said of me that I am "impressed with the notion that farmers' allocative efficiency can be usefully appraised in a profit maximising context". I am interested in rejecting H_0 only because it has been advanced as a theory. My interest in rejecting the profit maximising hypothesis does not indicate that I consider that *profit maximisation is indeed* the best way of expressing allocative efficiency.

I shall now turn to the statements made by Anderson and Jodha in paragraph (A). I must reiterate that I have really no serious quarrel with assumption A_1, which states that the technological knowledge *is equally shared* by all farmers included in the sample. *Insofar as most of the work done in* this field involves samples drawn from geographically localised populations, the assumption does not seem to be all that very unrealistic. As to the Cobb-Douglas form, I myself have pointed *out various absurd results (e g, negative* co-efficients) and situations (zero variable values) its use has given *rise to* in the concerned literature, and in fitting a production function I myself have departed from the form.[4] Having said this I would hold on to the view that the fundamental logical flaws that rob the results of the marginal-product-at-geometric-mean-equalling-market-price school are all independent of the form of the production function. It is in this sense that I said that my least quarrel is with the Cobb-Douglas function.

Finally, I am to express my regrets for having failed to make references to the works of Molster, Johnson and Rausser and Burt referred to by the anthors and also to one of the two papers of Anderson and Dillon cited by them.

Notes

1 Jock R Anderson and N S Jodha, "On Cobb-Douglas and Related Myths", *Economic and Political Weekly,* June 30, 1973.

2 Ashok Rudra, "The Allocative Efficiency of Indian Farms: Some Methodological Doubts", *Economic and Political Weekly,* January 20, 1973.

3 Amal Krishna Dey and Ashok Rudra, "A Test of Hypothesis of Rational Allocation in Cobb-Douglas Technology", *Economic and Political Weekly,* March 24, 1973.

4 Ashoke Kumar Hati and Ashok Rudra, "Calculation of Efficiency Indices of Farmers: A Numerical Exercise", *Economic and Political Weekly,* March 3, 1973.



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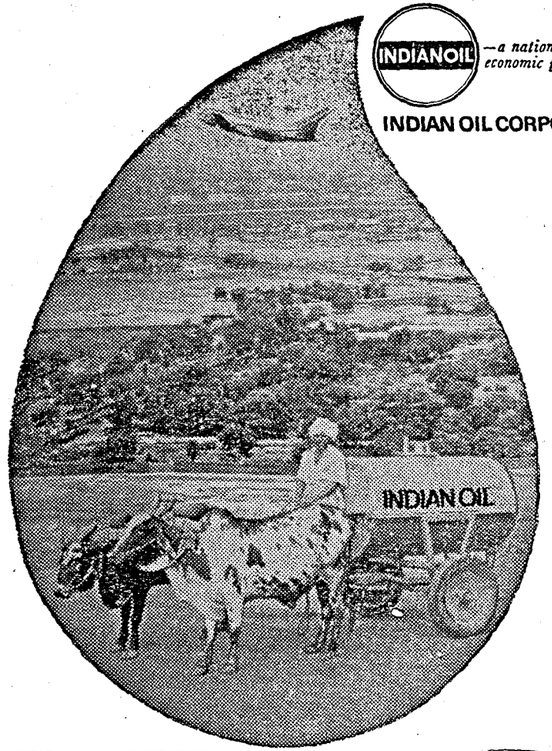
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New Statesmanship

Nireekshak

NEXT year, *The Statesman* will join the small band of Indian dailies which have celebrated their centenaries — namely, *Bombay Samachar*, the oldest surviving paper (Gujarati), founded in 1822; *The Times of India* founded in 1838; *The Pioneer*, founded in 1865; *The Amrita Bazar Patrika*, founded as a Bengali weekly in 1868; and *The Mail*, founded in 1868.

A full-length history of *The Statesman* by Assistant Editor Niranjan Mazumder and an anthology edited by him are to be published to mark the centenary. *The Statesman* will not qualify for a commemoration postage stamp because like *The Pioneer* and *The Mail* which celebrated their centenaries on this side of Independence, it was not founded by an Indian. Like the Indian National Congress, the cynic might be pardoned for pointing out.

Even in the days of A E Charlton, the last British editor *The Statesman* as well as the country has had, the paper had come under Indian ownership though Calcutta, the home of the paper, continued to be the centre of British finance capital in India. The fire-eating, fire-worshipping group that gained control of the paper found itself replacing the first Indian editor before long. But there has been no let-up in the labour problems the Indianised paper has been facing in both the centres of its publication, Calcutta and New Delhi.

After *The Hindustan Times*, *The Statesman* is the capital's oldest English daily. Others who went in for Delhi editions later have done far better with their circulation than *The Statesman*. Though its circulation has no relation to the influence the paper commands, for years now there have been intermittent rumours of the New Delhi edition shutting shop due to perennial labour problems. During the last few weeks the paper has been reaching the readers anytime between noon and late afternoon, what with a go-slow. In the cosy drawing rooms in New Delhi, *The Statesman* is discussed for a different reason, however, — the changes in its editorial set-up.

Resident Editor Kuldip Nayar was quietly replaced by London correspondent S Nihal Singh. S Viswam, the political correspondent, has gone to South-East Asia as correspondent in the place of V M Nair who has gone to London. A new category of working journalists, not contemplated or provided for by the wage board, was created when Kuldip Nayar was designated the Political Editor, whatever that means. Nihal Singh combines resident editorship with heading the bureau of special correspondents, the function of the political correspondent in the past. So far, the Political Editor's role has been that of supernumerary special correspondent.

There is a little story behind the reshuffle. *The Statesman* management offered to loan Kuldip Nayar's services to the Press Trust of India to replace its retiring General Manager but the agency's Board of Directors (which includes a representative of *The Statesman*) turned the suggestion down. K S Ramachandran, the retiring General Manager, was given an extension of over two years. But the reshuffle plans in *The Statesman* had already gone too far and it had been decided that Nihal Singh was to return to New Delhi. He had been the political correspondent before Viswam. And they say, in the Foreign Office and in *The Statesman*, no one returns to the same position; it always has to be something higher. So Nihal Singh's name appeared in the print line as the Delhi editor.

New Delhi already had the largest number of English dailies for any city when it got the eighth daily last month when the *Financial Express* launched its Delhi edition. Fourteen years ago Delhi had just four English dailies when Bombay and Calcutta had three each and Madras two. And this week *The Economic Times* has caught up with its rival and started its own edition from the capital. The race began 14 years ago. G L Mehta is credited with suggesting a financial daily to both the newspaper-chain owners and both began planning the project independently of the other. Ramnath Goenka beat the Sahu-Jains by less than a month and both the dailies were launched from Bombay. It is surprising that it took the two dailies 14 years to think of simultaneous publication from New Delhi.

The newsprint squeeze has not checked the proliferation of newspapers and journals though it has shot most newspaper budgets to pieces. The newsprint shortage has cut into advertisement space and revenue. The findings of a nation-wide survey, published in the inaugural issue of *Indian Press*, monthly journal of the Indian and Eastern Newspaper Society, suggests that the shrinkage has forced some papers to skip editions, cut down or give up their magazine sections, use fewer pictures and even to truncate their editorial pages to accommodate more news. On the other hand, some dailies are actually devoting more space to news now. Speeches of politicians are being ignored by four out of five dailies, to go by the findings of the survey. *The Hindustan Times* even relegated the Prime Minister's New Year-eve press conference to column eight on the front page — and quite appropriately.

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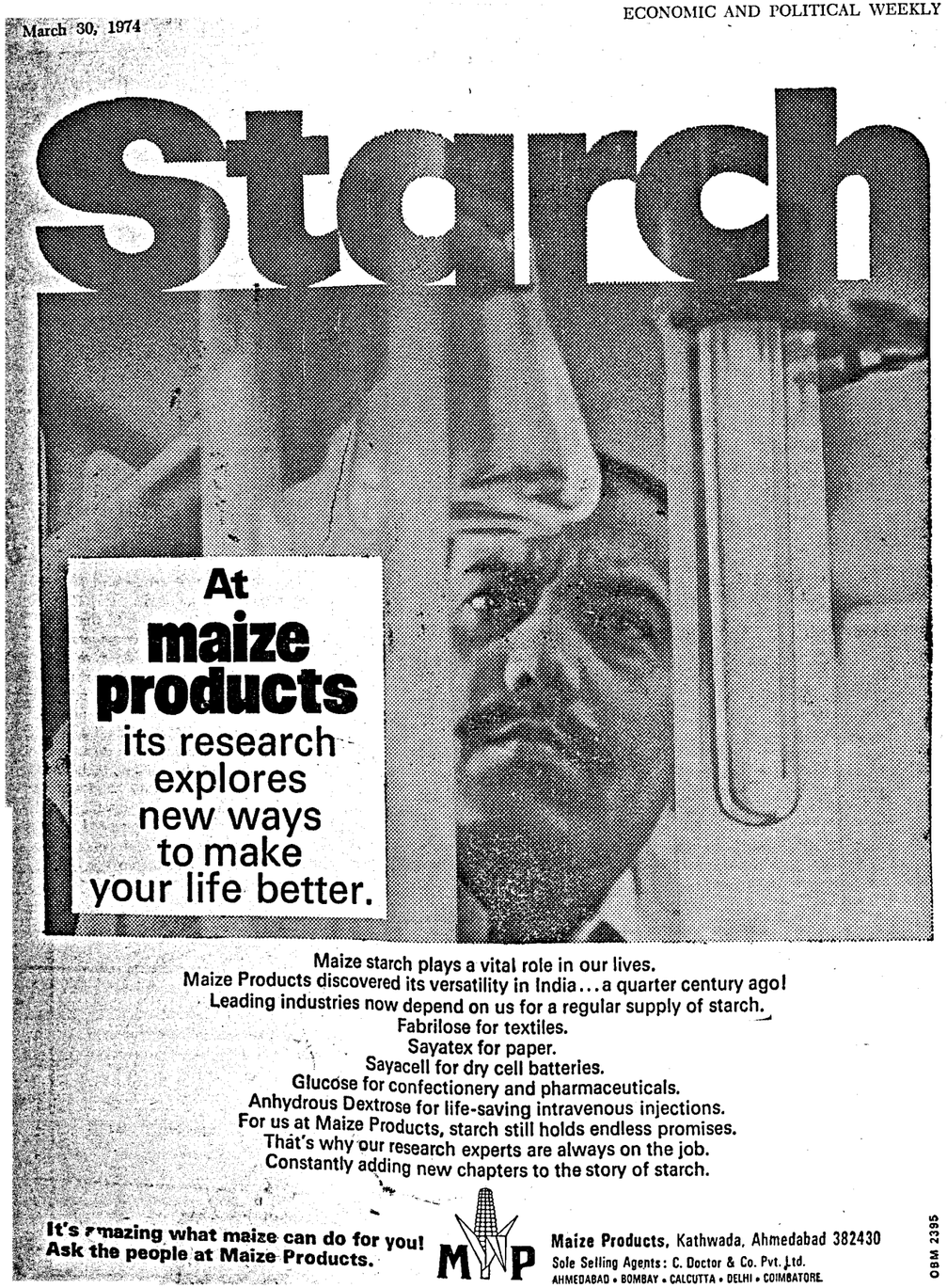
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Economic Growth in Industrial Societies

V Nath

Norman Macrae: **The People We Have Become,** *The Economist,* April 28, 1973; pp Survey 1-36.
Brian Needham: **A Special Strength — A Survey of Japan,** *The Economist,* March 31, 1973; pp Survey 1-72.
The Hudson Institute: **France in Ten Years' Time,** Paris, 1973.

AMONG the more interesting economic phenomena of the post-war period is the large difference in the rates of economic growth of the developed countries. Britain has had a growth rate of 2-3 per cent a year, France and West Germany have had rates ranging between 4 and 8 per cent, and Japan's rate has ranged between 10 and 15 per cent. The persistence of these differences for more than a quarter of a century has significantly altered the relative economic positions of the different countries, with consequent changes in their economic power and influence in world affairs. As Norman Macrae says in his survey of Britain (which is one of the subjects of this review), "Britain entered the post-war era as the richest country in north-west Europe except Sweden. Because our economic growth rate since then has been about half that of our neighbours we are now the poorest except Ireland"[1] (p 7).

Table 1 shows the growth rates of GDP at current market prices during the two decades, 1950-60 and 1960-70, and the per capita incomes in four selected years since 1949, in five developed countries — *viz,* Britain, Japan, France, West Germany, and the US — and in India. The changes in relative per capita incomes of the different countries may be noted. Japan's per capita income of $ 100 was about one-eighth of Britain's in 1949; by 1969, it had almost reached the latter's level; and by 1972 it had surpassed it. France and West Germany, with per capita incomes in the range of 40-60 per cent of Britain's in 1949, were approaching the latter's level by 1958, and they had much surpassed it in 1969. The figures for India, on the other hand, show the persistence of extreme poverty and a rapidly increasing disadvantage in relation to the developed countries. The comparison with Japan is particularly striking. In 1949, Japan's per capita income was only 70 per cent larger than India's; by 1972, it was almost 30 times as large.

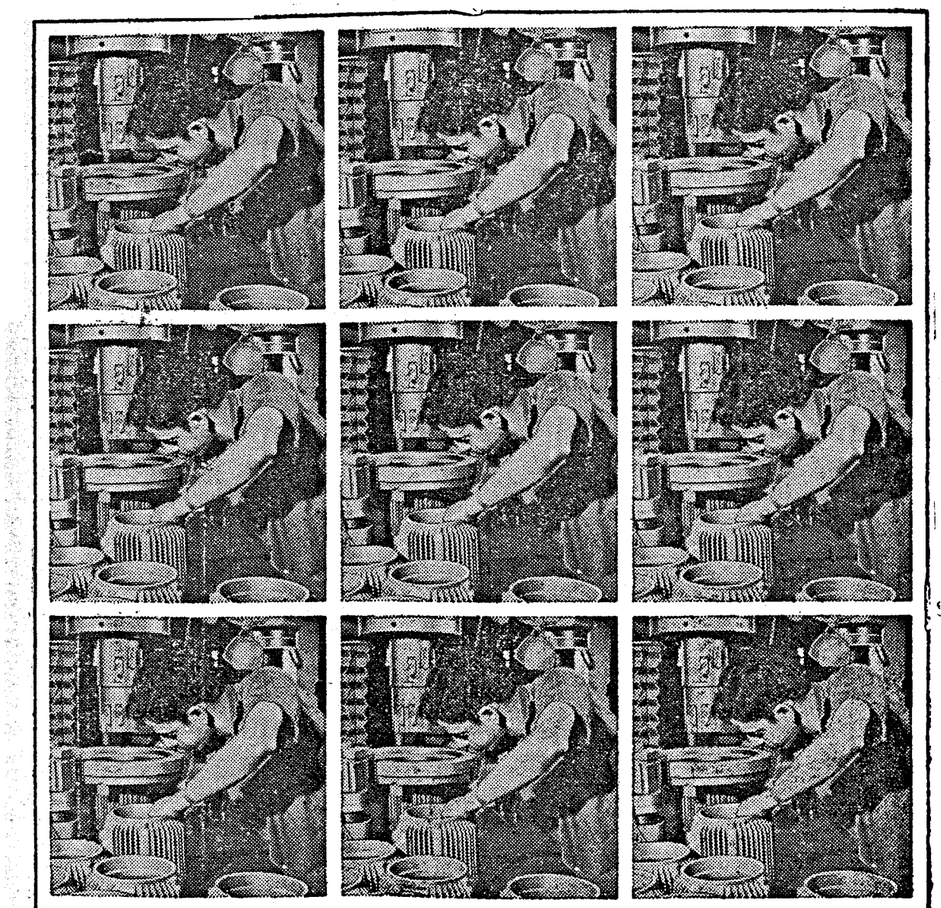
Continuation of these differences in growth rates for even 10 or 20 years holds frightening prospects for countries with relatively slow rates. Thus Britain's per capita income could fall below those of Spain, Greece or Mexico by the late 1980s. Even the United States, the unquestioned economic leader of the post-war period is uneasy about forecasts that during the second half of the 1980s it could be surpassed in per capita income by Japan. Already, after the second devaluation of the dollar, the US per capita income is not much higher than the per capita incomes of West European countries, such as Sweden or Switzerland, though the standard of living of the Americans may be higher owing to the higher domestic purchasing power of the dollar.

The second fact, though it may seem paradoxical at first sight, is that economic growth has been faster in countries like France and Japan, where the growth outlook at the end of the war was relatively unfavourable, than in Britain where it was far more favourable. Both France and Japan had ended the war as defeated, humiliated, nations; much of their industry and physical infrastructures had been destroyed or badly damaged. They had, moreover, to reconstruct their political and economic institutions (substantially in France, and entirely in Japan) because the earlier institutions had either proved unsuitable for economic and social progress or were internationally unacceptable. The French economic system was burdened with various ills, notably a large and inefficient agriculture mainly of small peasant farms and dominance in industry of family firms that were small, poorly capitalised, inefficient, and seeking protection rather than growth and which had contributed to both political instability and economic stagnation. The Japanese had witnessed the collapse of their vision of an 'Asian co-prosperity sphere' dominated by themselves, and had to build a viable industrial structure and an internationally acceptable system of economic relations, based on competitive imports of raw materials and fuels (of which Japan is so woefully short) and exports

TABLE 1

	(A) Growth Rates of GDP At Current Market Prices (Per cent per year)				(B) Per Capita Income at Current Market Prices (US Dollars)			
	Total		Per Capita					
	1950-60	1960-70	1950-60	1960-70	1949	1958	1969	1972
UK	2.8	2.7	2.4	2.1	453	1091	1647	2800
Japan	8.2	11.1	6.9	9.9	100	324	1510	2950
France	4.8	5.8	3.9	4.6	482	947	2402	3850
West Germany	7.7	4.8	6.6	3.7	320	877	2178	4200
USA	3.2	4.0	1.5	2.7	1453	2361	3955	5500
India	3.7	3.7	1.9	1.2	57	69	78	(110)
Developing countries	4.7	5.2	2.4	2.5				

Sources: (A) United Nations, "Handbook of Trade and Development Statistics, New York, 1972, Table 6.2, pp 245-9.
(B) 1949 figures are from C P Kindleberger, "Economic Development", McGraw Hill, New York, 1965, pp 12-13, quoting United Nations Sources.
1958 and 69 figures are from United Nations, "Statistical Year Book, 1970", Table 184, pp 597-602.
1972 figures in the developed countries are from the *Economist.* March 31, 1973, p 24, and are perhaps not as reliable as the other figures; the Indian figure is from the IDA.



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of manufactures. In contrast, Britain had emerged from the war with far less damage to its industry or its physical infrastructures. Moreover, the war had demonstrated the superiority of its democratic institutions. These differences, it turns out in retrospect, were growth-inducing for France and Japan (and West Germany) and growth-inhibiting for Britain.

An adequate understanding of the causes of these differences in economic growth is, of course, necessary for forecasting the medium- or long-term economic prospects of the individual countries. More important, such understanding is essential for a fuller understanding of the process of economic growth itself. It is also of interest to developing countries like India, which were colonies or dependencies of European countries and which have inherited in the vital modern sectors of their economies the institutions and operating practices modelled on the former metropolitan country. The decision-making elites in these countries still follow, consciously or otherwise, the example of the former metropolitan country in innumerable ways — from creating new political or economic institutions to setting the norms of public or private conduct. What is done in Britain must be right (and hence the model to follow) has been an unwritten rule in most former British colonies — and even more so in most of the former French colonies. The influence on economic growth of these institutions, attitudes, and behaviour patterns, though difficult to measure is cumulatively quite large.

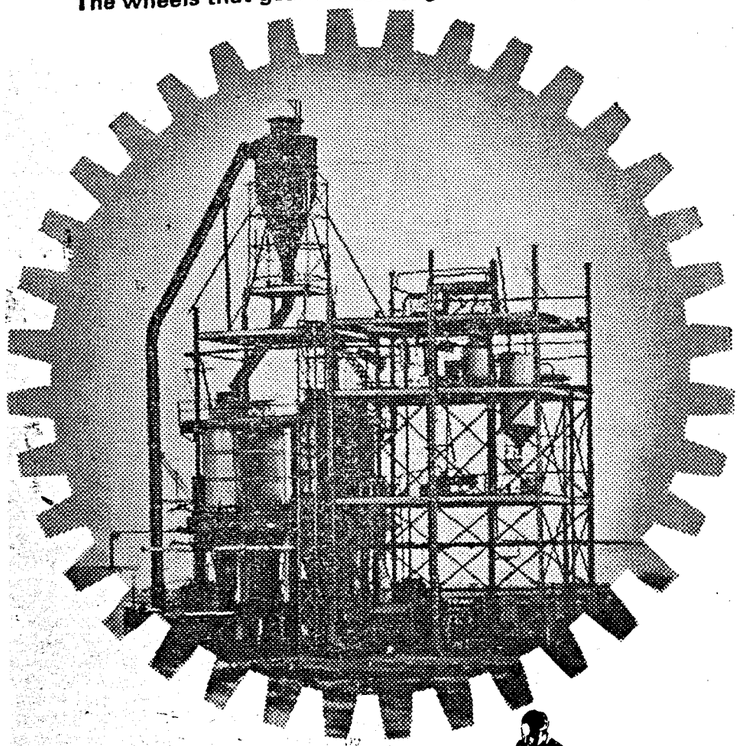
In this context, the two surveys of Britain and Japan, which appeared early in 1973 in the London *Economist*, and a study of the growth prospects of France, made by the Hudson Institute (an American research group) are of considerable interest. The *Economist* surveys are not systematic academic studies, but they contain a wealth of incisive observation on the institutional and psychological impediments to economic growth in Britain and on the mainsprings of Japan's phenomenal growth, of interest to students of economic growth. The Hudson Institute study concentrates on an assessment of the growth prospects of France but also contains an interesting analysis of the causes of its brisk economic growth of the post-war period. The survey of Britain written by Norman Macrae, a Deputy Editor of the *Economist*, is perhaps the most interesting of the three studies for Indian readers, because of the historical and hence institutional links between Britain and India and the influence of British attitudes and practices on the Indian elites. It is remarkable, moreover, for its wide coverage of British political and economic institutions and its candour and sharpness in pointing up their weaknesses and deficiencies. It makes a bold attempt to go beyond the obvious causes of Britain's slow economic growth — obsolete equipment, poor management, low productivity of labour arising partly from frequent strikes and dilatory and obstructive tactics of the labour unions, etc — to institutional and psychological factors. Its highly critical and generally pessimistic tone is in marked contrast with the general smugness of the British about their institutions and behaviour patterns. Indeed, the latter attitude, symbolised by the phrase, "it's odd but it works", comes in for especially severe criticism.

Differences in investment ratios and in rates of growth of productivity of labour: The differences in rates of economic growth of the three countries are related, of course, to differences in investment ratios and in rates of increase in productivity of labour. Japan maintained incredibly high investment ratios, 30-35 per cent of GNP, throughout this period; the ratios in Britain and the USA were only half as high, 15-18 per cent of GNP. The resulting gains in productivity of labour were also more than twice as high in Japan as in Britain or the USA; the labour productivity index for 1972 was almost 350 in Japan (1960 = 100) but only 160 in Britain and 150 in the USA. France and West Germany were in between these extremes with investment ratios of 20-27 per cent of GNP and 1972 productivity indices of 180-210. It may be noticed also that the investment ratios of Japan, France and West Germany all have upward secular trends while those of the USA and Britain were more or less stagnant. Second, while the French investment ratios were appreciably lower than the West German during most of the period, the increase in productivity was higher in France than in West Germany. The greater efficiency of investment in France is explained by the Hudson Institute as being due to France not having to reorient a Ruhr and concentrating investment instead on the faster growing technology and service industries.

The two surveys and the Hudson Institute study seek to go behind these differences in the economic indicators and to identify the attitudes, values, behaviour patterns and institutions that influence them and to analyse the ways in which the influences work. Why, for instance, are the Japanese willing and able to achieve such high investment ratios with consequent gains in productivity and in GNP, while the British who led the industrial revolution for more than a century have been content to let themselves slide? This emphasis on the social and institutional influences on economic growth, particularly by the authors of the two *Economist* surveys who would be more at home in corporate boardrooms than in an academic seminar is gratifying; it shows that recognition of the role of these influences in explaining the economic performance of nations has travelled from the academics to economic journalists.

The authors of the *Economist* surveys are aware of the limitations of GNP as a measure of the level of economic development and also that rapid economic growth can involve high social costs. Needham gives in the Survey of Japan data on various indicators of level of living for Japan and other major Western developed countries (Table 2) to show that the Japanese level of living is in fact considerably lower than what the per capita income figures would lead us to expect. The figures of Table 2 indicate for instance that although Japan's per capita income in 1972 was marginally higher than Britain's, its score for housing was almost half of Britain's and that for public amenities barely one-third. The figures show also that despite appreciably lower per capita income, Britain scored higher than both France and West Germany on most of the indicators. They support Macrae's point that the British level of living has not suffered much because of slow economic growth (see below), but not his assertion that Britain is now the poorest country in Western Europe except Ireland. Needham discusses at considerable length social problems such as severe environmental deterioration in the principal industrial and population centres and a grave housing shortage, and the measures being considered by the Japanese Government to meet them. But both he and Macrae consider the rate of economic growth to be a valid measure of overall social progress. Needham sees Japan's phenomenal growth as an expression of the prodigious energy and dynamism of the Japanese people and a measure of the strength of their social system which has sustained them through the process of extremely rapid change, "from a near-feudal society to a supermodern state in a single century, including the cataclysmic experience of 1945" (p 12). Macrae similarly sees Britain's slow economic growth as a symptom of a deep and pervasive social

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TABLE 2: THE QUALITY-OF-LIFE CHECKLIST

	GNP Per Head 1972 $	Unemployment Per Cent 1970-1972	Housing (1)	Private Goods (2)	Public Amenities (3)	Working Conditions (4)	Tension-Makers (5)	Suicide	Drug Addiction	Deaths from Alcoholism (1965)
			Score out of 100 marks in each column						per 100,000 people	
Japan	2950	1½	14	14	9	22	—34	14	9.23	0.6
United States	6500	5½	24	31	24	24	—15	11	33.15	1.4
Germany	4200	1	21	19	20	16	—22	21	7.11	1.1
France	3850	2½	16	16	21	15	—15	16	0.99	11.9
Britain	2800	5	25	20	26	23	—14	9	5.17	0.2

1 Based on number of rooms available per 100 people.
2 "Private goods" based on daily calories consumption per person; amount of textiles used per person per year: ownership of cars, television sets and telephones per 100 people.
3 "Public amenities" based on percentage of road mileage that is surfaced; percentage of houses on water supply and sewerage system: number of public libraries per million people; amount of parkland per person in main cities; percentage of 3.5 year-olds in kindergartens.
4 "Working conditions" based on average number of working hours per week; lives lost in accidents per 1,000 workers in manufacturing industry; average worker's number of minutes per day spent in getting to and from work.
5 "Tension-makers" are number of crimes per 100,000 people; number of victims of traffic accidents per 1,000 cars: tons of air pollutants per square kilometre: traffic congestion, in number of cars per kilometre of road: number of passengers in main city undergrounds per day per kilometre of line.

malaise. He debunks the comfortable notion held by many Britons that although its post-war economic growth has been slower than that of most other industrial nations, Britain remains a more decent and humane society in which basic human values such as freedom, decency and public order have been preserved much better than in the other nations. Besides discussing the institutions such as the political system, the civil service, the public sector enterprises and the labour unions which directly affect economic growth, he discusses several others such as the judicial and law enforcement systems and local government whose influence is less direct, to show that the British disease is not merely slow economic growth but malfunctioning of the whole array of institutions.

II
What Ails Britain

Several of the economic ills of Britain discussed by Macrae are familiar enough:

(i) A public sector that is too large, too non-achievement-oriented and too inefficient. The sector, consisting both of industries such as coal, steel and the railways which were nationalised after World War II and of public services ranging from law enforcement to garbage collection, provides employment to almost half of the British labour force. Its inefficiency is indicated by the fact that "the annual deficit of the nationalised industries is already upto something over 1 per cent of the GNP and will continue to go up the longer they are protected" (p 22).

(ii) The trade unions, very large and very powerful but preoccupied with obtaining higher pay and benefits for their members and maintaining their own power with little regard for increases in productivity or the convenience of the public. "... annual wage settlements now soar up to 20 per cent or so against an annual productivity growth of between 3 and 4½ per cent. If this is continued, it must lead to a Latin American situation and a total breakdown in society", and "... British trade unions have come to regard as respectable to call strikes even to cut off public utilities — whose sudden stoppages must endanger life — in order to win their members a few extra pennies a week" (p 30).

(iii) Inadequate depreciation of equipment leading to use of obsolete, low productivity equipment over a wide area of industry. The British have apparently not realised well enough that "in this age ... anybody relying on plant and equipment that are over 15 years old is likely to go bust" (p 4).

(iv) A poorly educated labour force. "As late as 1960 only 12 per cent of 17-year-old Britons were still at school versus 70 per cent of Americans; ..." (p 34).

Of particular interest are his analysis of the ways in which the inefficiencies operate and are perpetuated, and his including obsolete institutions and attitudes along with obsolete equipment among the principal causes of economic stagnation. Institutional absolescence is considered by him to be due primarily to the fact that unlike in the other major European countries in Britain the institutions were not destroyed or seriously damaged by the war. "We are therefore left with a lot of institutions that no sensible country would have re-created", and, "there is a surfeit in Britain of closed rather than open minds, of men whose thinking has been conditioned by the rules and atmosphere of a single institution rather than those who see over the partitions and adapt institutions to suit their own ends" (p 34).

For every institution discussed by him, he makes a number of specific suggestions for reform, and makes the point that Britain's ability to make adequate and timely institutional innovation is the key to its survival. But he is not hopeful about the prospect of reform, because of the attitude of smugness to which reference has been made earlier and because of strong opposition to reform of established pressure groups. The Survey therefore ends on an almost prophetic note. "'The characteristic danger of great nations like the Romans or the English which have a long history of continuous creation', said Walter Bagehot a hundred years ago, 'is that they may at last fail from not comprehending the institutions they have created.' The theme of this survey has been that this danger is now, for Britain, at possibly mortal crisis point. Almost all of the great institutions Britain has created — parliament, the civil service, local government, the law enforcement authorities, the other public services, the nationalised industries, the trade unions — are not performing the functions which were their original purpose. Most are being operated mainly in order to allow the able top people in each of them to enjoy themselves by concentrating on doing the things that give them the most satisfaction. Almost all of the changes that are needed are therefore ones that would cause maximum disruption in what the most intelligent public men in the country have come insensibly to regard as their entirely reasonable sense of purpose. This is why they are the opposite of the changes that are likely

to be put into effect. That is the British disease" (p 36).

Among the other requisites of economic success he puts foremost Britain's ability to shift rapidly its labour force from manufacturing industries particularly the more labour-intensive ones, such as engineering (including automobile manufacture) and textiles, and into those among the more promising growth industries of the last quarter of the 20th century for which it has the greatest competitive advantage. He explains that the competitive advantage of industries such as automobile manufacture is increasingly with regions such as South-East Europe and North Africa where there are large bodies of educated, trained (or trainable), low-paid workers — the shift of the automobile industry to Southern Europe has already started, witness its rapid growth in Spain — and of simpler industries such as textiles with poor countries such as India and Indonesia. The growth industries listed for the rich countries are: management (systems design or capital intensification); banking; training (packaging and transmission of knowhow); higher technology, such as supersonic transport, telecommunications and computers; bio-physics; very large construction, and high fashion goods and services. He discusses Britain's chances of effective participation and leadership in each group of industries and finds them best in banking and high fashion. Not unexpectedly, the USA and Japan are listed as the countries with the greatest advantage for the higher technology industries.

Towards the end of the survey, Macrae makes an interesting analysis of the reasons why the British may not recover the Puritan work ethic which will remain, in his view, the dominant work ethic in the industrial countries for the next 15-20 years. He explains that in most other industrial countries industrial work is a first generation experience for significant proportions of the labour force so that the defensive attitudes towards work that "litter British industry" have not yet developed. In Britain on the other hand, the great majority of the workers are sons and daughters of wage and salary earners so that the dominant attitude towards work is "something which you have to do (preferably without the boss working you too hard) in order to get a living" (p 34). "Another hidden influence on all the 24 mn Britons over the age of 40 is that Britain was probably the only industrial country where the real income of about four-fifths of the people must have gone up in the depression of the early 1930s (because anybody still in a job benefited from the drop in prices" (p 34).

From among the institutions discussed by him, we have selected three — the public sector, the civil service and Westminster model of parliamentary government — for this review because his observations relating to them are of particular interest for Indian readers.

The Public Sector

Macrae considers the narrow national monopoly (public enterprises having a national monopoly of production of a narrow, specialised range of goods or services) model adopted by the Attlee Government while nationalising coal, steel, railways, etc, to be the most important cause of inefficiency of the public sector enterprises. He backs up this conlusion with an analysis of the particular deficiencies of this model and with references to the eminently successful broad-ranging public enterprises such as the IRI of Italy. He explains that each of the British national monopolies is prevented from diversifying into production of related (such as travel agency work by the railways), substitute or competitive goods or services. In this situation, with demands for their specific products shrinking on account of technological and socio-economic changes, the enterprises could stay efficient only by increasing productivity in their specific areas of production and thus becoming "very prolific producers of redundancies" (p 211). As an example of the quantitative effects of technological change on demand, he mentions that in case of the chemical industry (which narrowly escaped nationalisation in the late 1940s) the items manufactured then, form a very small and least profitable part of the present production. But both diversification by the national monopolies as well as technological change (for which they are well situated because of easy access to cheap Government capital) are rendered impossible because of the opposition of the trade unions which are particularly large and powerful in them. He argues for break-up of the national monopolies and introduction of competition in their specific areas of production. He feels that the case for reform is very strong because, as mentioned earlier, the deficits of these enterprises are very large and are constantly increasing. But he is not sanguine about the prospects of reform, because the proposals for reform would not only lead to a confrontation with the unions, but would also be opposed strenuously by the other centres of power and influence, in British society — the entrenched bureaucracy including that in the nationalised industries; the Press and the Parliament, especially the Parliamentary Labour Party. The order in which the three centres are listed is of interest; it is in accord with his assessment of their real relative influence. He explains that the civil service is much the most influential and powerful of the three because the Press takes its cues primarily from it and because the Ministers listen more to the civil servants than to the MPs.

The Civil Service

Macrae states that the club system in the British civil service is quite effective in bringing the best men to the top. But the trouble is that having got to the top they stay there and concentrate on things that give them the most satisfaction which are often not the most important things and turn their attention away from the things which gave most dissatisfaction. But, "when the things that give dissatisfaction (and are therefore ignored) are increasing at a frightening pace, this can be a recipe for cumulative breakdown in any society" (p 8).

At an example he mentions the fact that the brightest brains in the British civil service tend to concentrate in the Treasury because working there is the most fun. "The sad reason for this is that the clever Englishman finds it less tiresome to deal with figures than to deal with people" (p 10), while the most important jobs needing to be done are elsewhere — in law enforcement and prevention of crime, improvement of the environment and education for instance.

The system under which senior civil servants who get to the top stay there for long periods comes in for especially strong criticism. First, it is one of the major causes of ineffectiveness of the Parliament whose main role has been reduced to that of helping pick up the Cabinet; the most talented and dynamic MPs do get in. But after getting into the Cabinet, the Ministers are inclined to listen much more to their senior civil servants than to the MPs. As a result, what goes on in Parliament is generally uninteresting and frequently irrelevant. At the same time, "civil servants in their fifties who have been around the corridors of power for 30 years are bound to impose rule by caution and precedent-ridden bureaucracy in place of rule by innovating democracy" (p 14).

Macrae's remedy for this situation is to have new and daring leadership in a few old, dignified institutions (besides the Ministries and old established public enterprises, he includes companies such as the ICI among them), but old and dignified leadership in a lot of new and daring institutions. The recommendation is based on the management principle that "comfortable jobs whose danger is that they can become bureaucratised should be filled by the restless young, while embarrassing jobs where there will be pressures (from the electorate or from the need to tread over uncharted ground) can best be handled by the cannily experienced". (p 14). Accordingly, top positions in the civil service and in the established enterprises should be filled by young and dynamic men in their thirties and forties, on the basis of short-period tenures — the post of Permanent Secretary should be redesignated as Temporary Secretary — while the more senior civil servants with their ambitions behind them should be increasingly employed in new areas of activity and in inspectorial positions. The young men in top positions in the old institutions will bring dynamism and innovation into them and will save them from getting into a rut while the older men will use their experience in doing embarrassing and difficult jobs or guiding the younger men in avoiding costly mistakes. He cites the successful experience with this practice in both France and Japan, where top civil servants put on their slippers in their forties and are given senior position on the boards of large established enterprises.*

Another argument in favour of the recommendation is that in the age of the data processing revolution when the correctness of an increasing proportion of the decisions, policies and prophecies can be checked by computers, the necessary flexibility in decisions is most likely to be achieved in societies in which the top executives are not old men who have to justify all their decisions and judgments taken over a long period of tenure in the top job but "transitory young birds", and where "the inspectors general are very senior men whose own bureaucratic ambitions are past" (p 15).

* Brian Needham mentions in the Survey of Japan that the outstanding performance of the Ministry of International Trade and Industry in directing Japanese industry (and the economy) is due to this practice. The former civil servants on the boards of the companies serve as the channel through which the objectives and policies of the Government are known to the companies and their implementation ensured.

The Westminster Model

Macrae is very critical of the Westminster model of parliamentary government which has, in his view, proved to be most inefficient in Britain and disastrous for the Colonies.[2] Reference has been made above to his criticism that in Britain, the Ministers listen more to the senior civil servants than to the MPs and that this practice reduces the effectiveness and relevance of the proceedings in parliament. The principal disadvantage of the system is that it enables "a bureaucratically advised Ministry to pass quickly its whims through a satellite legislature", because "instant government intervention which is what our British sort of constitution allows, has since 1945 most usually proved to be wrong" (p 16). He cites the post-war economic experience of Western European countries and the USA to argue that "some of the most successful countries in 1954-73 have been those with constitutions or problems that prevent them from having strong governments at all" — the Netherlands and Belgium are mentioned as examples — or those like the USA where there is separation of powers between the legislature and the executive. His recommendations for reform include:

(i) transfer of responsibility for formulation of macro-economic policy from the Treasury to the Bank of England because macro-economic policy making by the central banks has proved to be generally more successful than that by the Governments;

(ii) introduction of proportional representation, and

(iii) ending the myth of the possibility of the Government resigning and a general election being precipitated by recognising officially that "the British Governments do not have to resign between five-yearly general elections until they want to".

But here again he is not hopeful about the prospects of reform because "the established pressure groups in favour of the present mess are too great".

A journalist is in the happy position of not having to back up his views with supporting statistical or other empirical evidence in the way that an academic writer has to do. His analysis may lack academic rigour or depth and some of his conclusions may even be unwarranted but the writing permits a wide-ranging view of situations which most academic writing fails to achieve. Macrae exploits this journalist's privilege fully and as the foregoing presentation indicates, he subjects to his critical gaze the entire range of British political and economic institutions and the attitudes and behaviour patterns of the decision-making elites. Most of his suggestions for reform are not particularly noteworthy because they consist in reproducing in Britain, American or West European institutions or practices. But his readiness to include within the scope of his critical review institutions such as the Westminster model of parliamentary government which are so firmly rooted in the British political tradition, and to hold it up as a prime cause of economic stagnation is noteworthy.

If one accepts his position that the British malady is serious malfunctioning of the whole array of economic and political institutions and that Britain's ability to survive depends upon its ability to undertake rapidly a fundamental restructuring of the institutions, then one must share his pessimism about Britain's prospects. Because, despite Britain's truly remarkable capacity for institutional innovation, it is doubtful if it can undertake the fundamental restructuring that Macrae considers necessary. Indeed, it is doubtful if any society could achieve such a restructuring without violent and revolutionary changes.

One does not expect the Deputy Editor of a journal like the *Economist* to be non-partisan in his views or to select and present his facts except to suit his chosen bias. The timing of the survey, on the morrow of Britain's joining the EEC, and its central theme are closely related to the Heath Government's objective of accelerating Britain's growth rate to 5 per cent a year. But the value of the survey and its impact on policy-making would have been greater if Macrae had been more objective and less partisan in selection of his facts or in presenting his conclusions. Two examples will illustrate the point. First, while discussing the inefficiency of Britain's national monopolies and their ever-increasing deficits, he fails to mention that they are mainly in industries such as coal, steel and railways, which are sick and declining in all western developed countries, because of particularly severe impact of technological and human obsolescence — besides outdated technology they have large numbers of old or middle-aged workers who cannot be fired because of the power of their unions or other social reasons — and have had to be supported by state subsidies. The contrast with the chemical industry in Britain, to demonstate the superiority of private enterprise or with the dynamic petro-

leum-dominated giants such as the IRI of Italy to argue that broad-ranging public enterprises are more efficient than the narrow national monopolies is particularly unfair because the chemical (largely petro-chemical) and petroleum industries have been among the most profitable and dynamic industries in the post-war period, because of the low price of petroleum as a source of energy and its versatility as a raw material.[8] Again, while condemning the British trade unions for their growth-inhibiting and anti-social practices, he fails to raise the more basic question: Why is their behaviour so different from that of their counterparts in the Low countries or Northern France where the industrial tradition is nearly as longstanding as in Britain. Indeed, his linking of the decline of the Puritan work ethic in Britain with the length of the industrial experience appears fatuous. Might not part of the problem be due to Britain's social rigidity — Britain has not experienced the social mobility which the USA with a much shorter industrial experience and starting with an immigrant labour force has experienced — and the attitudes and behaviour patterns of the employers? Macrae finds the attitudes and behaviour patterns of the members of the British elites within Government particularly growth-inhibitive. Perhaps the members of the elites who go into industry are also not significantly more innovative or growth-oriented!

III

Japan's Special Strength

Unlike the survey of Britain which is the first such survey of the country to be published by the *Economist*, the survey of Japan is the third, the two earlier ones having been published in 1963 and 1967. The causes of the phenomenal economic growth of Japan had been analysed in detail in the earlier surveys so that a large part of the present survey is devoted to non-economic subjects such as political parties and the political process, defence, foreign policy and the educational system. The principal economic question to which the survey is addressed is: Can Japan reorient successfully its economy from its present overwhelming export-orientation to a more balanced export-cum-domestic-consumption orientation which is needed in order to meet pressing national problems such as the extreme housing shortage and the severe environmental pollution, and which will in any case be forced on it by the other developed countries in order to achieve greater balance in their trade with Japan and to remove the threat to the international monetary system, which the astronomical balance of payments surplus of Japan poses? The author, Brian Needham, is quite hopeful about Japan's ability to make the needed changes rapidly, without serious economic dislocation or even significant slackening of the growth rate, although its post-war economy had been built up specifically to pump out a flood of cheap, well made exports. This optimism is based on his very high regard for the quality of Japanese economic management and the strength of the social system. While the management has directed the rapid economic changes of the last century, the social system has provided the security which has enabled the Japanese to keep sane during the extraordinary transition.

He forecasts an average growth rate of 9 per cent for the 1970s which would mean that the Japanese had by the start of the 1980s "overtaken the Americans' present standard of living per head. And, if they could manage to keep it up a bit longer and the Americans did not accelerate they would become the richest people in the world sometime in the second half of the 1980s" (p 24). Before reaching this conclusion however, he discusses two recent assessments of the growth prospects of Japan, made by American authors (Herman Kahn: "The Emerging Japanese Superstate, 1971, and Zbigniew Brazezinski: "The Fragile Blossom", 1972). Kahn had forecast an annual growth rate of 11-12 per cent for the 1970s, only a bit lower than the record rate of 12.2 per cent achieved in the second half of the 1960s. Brazezinski was much less optimistic: he forecast a significant slow-down in the growth rate to an average of 8 per cent in the first half of the 1970s and 6 per cent in the second half. Since both authors had essentially completed their assessments before the first revaluation of the yen (in 1971) Needham's forecast of 9 per cent indicates therefore his confidence in the capacity of the Japanese economy to sustain a very high rate of growth under increasingly adverse conditions.

Of course all such forecasts of growth have to be revised after the recent Arab restrictions on exports of oil and the steep increases in oil prices that have followed them. Japan's growth rate during the 1970s is expected to be reduced much more than that of almost any western industrial nation because its dependence on imported oil (as a source of energy and as an industrial raw material) is so much greater.

The survey starts with a discussion of the Japanese value system, particularly the values which enable the Japanese to identify themselves completely with their company; two results of the identification are the norm of life-time employment with a single company and intense loyalty to it. Drawing upon the work of Chie Nakane, a Japanese woman sociologist,[4] Needham mentions that the explanation lies in the fact that in Japan, "the feeling of belonging to the same group does not come from people of the same sort voluntarily banding together but from different sorts of people recognising that they are linked to each other by membership of the same organisation. The connection with the family is obvious and indeed the Japanese often talk about the company they work for in the language of a family. The word *ie* which means household lies at the root of Japanese society" (p 11). This is because the group in Japan is created by the 'frame' which is defined as "the fact of living in the same place or working for the same company or being involved in any relationship in which people of different sorts serve a common purpose". One result of this frame-centred group loyalty is weakness of class consciousness; Needham calls Japan "the most unmarxist society". But his explanation of the linkage between this loyalty and the limited impact of the youth rebellion of the late 1960s which had swept the western universities is less than convincing. According to him, "the neat, polite, helpful youngmen with their noses down on their desks in the junior executive levels of those offices might be a different species from the uncontrollable undergraduates many of them were three years ago ... Three years ago these youngmen were a part of the community of students, and behaved and believed accordingly. Now life has transferred them to a new community, and they have changed their ethos as if they were changing a jacket" (p 23). Why, one may ask, did the frame-centred group loyalty not extend to the University in the same way that it extends to the company and prevented the rebellion from occurring at all? And, if the students consider themselves to be members of a community why do not the workers do the same?

Apart from the intense loyalty of labour and management to the company, Needham lists the following as

the principal reasons for the phenomenal economic growth:

(i) Ultra-modern high-productivity equipment, financed by extraordinarily high rates of saving and investment, which are expected to rise to about 37 per cent of GNP by 1978. The two principal motives for large savings are: (a) the need to provide for retirement (the retirement age is quite low) and (b) the intense desire to send children to universities. Saving is promoted also by curiosities such has the practice of paying a substantial proportion of the workers' salaries in the form of Christmas bonuses. The modern high-productivity equipment is a legacy of the hectic post-war reconstruction (with liberal American assistance) and an indirect result of World War II during which most of Japanese industry was wiped out. The success of the reconstructed Japanese industry illustrates the principle of success feeding upon itself. "When an industry is growing fast so much of its equipment is new and efficient that its prices can undercut those of its neighbours which means that it earns such big profits that it can put in even newer and more efficient machinery and so on all over again" (p 23). Now the position is that "big Japanese firms keep large staffs of people whose sole job is to think how soon they can put new machines in".

(ii) Excellent economic management. "The bureaucracy and to a slightly lesser extent the planning staff of the big companies remain among the very best in the world. Intelligent, numerate and accustomed to thinking five years ahead these people are recruited from among the brightest graduates of the best universities".

(iii) A highly educated labour force. "Something like a third of the new entrants to the labour force each year have just come from university or college".

(iv) Close co-operation between the Government and industry. "This extraordinary combination of labour and capital is supervised by one of the world's most intelligent government machines which knows what it wants businessmen to do and by virtue of the authority it wields in Japan's social system by and large gets them to do it" (p 15). The Government's power is reinforced by the practice of employing people who do not get to the very top in the civil service in senior positions in industry. "This connection is the lever by which the government operates its so far uniquely successful powers of guidance over the economy" (p 23).

IV

The Future of France

On the basis of its post-war economic performance and current growth, the Hudson Institute has forecast that "ten years hence France can hope to become the most powerful country in Europe in terms of total production. It possesses the most dynamic economy in Europe and that its rate of growth is one of the most rapid in the developed non-Communist world, apart from Japan". It explains that France's GNP is already 25 per cent higher than that of Britain (the exact reverse of the ratio in 1958); that output per capita is higher than that of West Germany and that total output will overtake that of the latter by the next decade and, finally, "that by 1990 the French will enjoy the highest living standards in Europe".

The reasons for these predictions have been listed as follows:

(i) a consistently high growth rate, 4-4.5 per cent in the 1950s, 5.5 to 6 per cent now;

(ii) a labour force that is more hard-working, better educated, more productive per head than those of its neighbours;

(iii) a general consensus favouring industry so that the growth rates of 5-6 per cent is not considered too high, by the workers or the politicians;

(iv) relatively large service sectors (which have faster rates of growth than manufacturing) and concentration of investment in advanced technology industries, aerospace, information processing, electronics, etc, which have much higher growth potentials than traditional industries such as steel. Unlike Germany, France did not have a Ruhr to modernise and reorient, and concentrated instead on these advanced technology industries.

(v) at least 3 million foreign workers whose wage and living levels are much lower than those of the French. Since a large proportion of them are Italian, Spanish or Portuguese, they can settle and integrate into the society so that their presence does not constitute the problem which presence of larger numbers of foreign workers does in most West European countries. The supply will not last forever and France will have to depend increasingly upon workers from other sources notably Africa, whose integration will be more difficult.

The Institute adds that France's political and economic ascendance constitutes only a resumption of the historic position — France was the most powerful country in Europe from the 16th to the 18th century — which was interrupted early in the 19th century by the French Revolution and the Napoleanic adventure. They exhausted France physically and demographically. Second, their traumatic experience left the French bourgeoisie without dynamism and imagination. Finally, since the social structure that emerged from them the peasants were bound to the soil, increment of the population from the country to the towns, which is essential for economic growth was slow.

V

The Case of India

Reference has been made above to India's slow economic growth during the post-war period and the increasing economic distance between India and the developed countries. If a survey, similar to Macrae's survey of Britain, were written for India, it could also begin by mentioning that India's economic performance has been poor despite the fact that it started the post-war period with major advantages, some of them unparalleled among the developing countries. The most important among them were the following:

(i) A fairly large and diversified industrial sector. India was among the first 8 or 10 countries in the value of gross industrial output in the immediate post-war periods. Its industry had not suffered any damage during the war, but had on the contrary accumulated large resources for modernisation and expansion. Moreover, it had for several years after the war, an unrivalled position as the principal exporter of manufactures, such as textiles, in the markets of the developing countries of Asia and Africa.

(ii) Fairly well developed physical infrastructures, particularly rail and road transport and communications;

(iii) Well established structures of administration and social services which had been manned even in the higher echelons by Indians for considerable periods;

(iv) Considerable educated and skilled manpower, including large numbers of persons with administrative and managerial experience and a large body of entrepreneurs with a long historical tradition, and

(v) Outstanding political leadership which gave India stability during the

critical first two decades of Independence and enabled it to work successfully the institutions of parliamentary democracy which have collapsed in most of the developing countries.

India's economic growth has remained slow moreover in a period characterised by brisk and accelerating growth in most of the developing countries, so that India has continued to be very poor while a large number of the developing countries, including several of those that have not been blessed with large oil revenues have moved to the intermediate stage of development while some, like Taiwan, have reached a near-developed stage. The Indian growth rate of 3.7 per cent during both 1950-60 and 1960-70 has been significantly lower than the average rates for all developing countries — 4.7 per cent during 1950-60 and 5.2 per cent during 1960-70. The comparison is even more unfavourable to India if the South Asia region is excluded; the Indian rate has been scarcely half of the average rate for all developing regions excluding South Asia.

The consequences of the sluggish economic growth have been far more alarming for India than for Britain. First, the most basic economic problems, such as chronic undernutrition and malnutrition of the large mass of the population and recurrence of periodic famines are not much nearer solution than they were 28 years ago. Second, India is today not merely among the poorest countries in the world—it has almost half of the total population of the countries classified as the "poorest" by the International Development Association of the World Bank.[5] And continuation of these trends for another 25 years will mean that by the end of the century when most of the present-day developing countries will have moved to the developed, near-developed or intermediate stages, India will still be poor and will have in the poorer half of its population, perhaps the world's largest human mass for which extreme poverty continues to be a daily experience.

The above has not been written either to minimise the handicaps with which India started its post-war economic career or to underrate the very considerable increase in the development potential that has occurred during this period. Foremost among the handicaps were extremely slow economic growth and stagnation in the agricultural sector the most serious consequences of which were growing pressure of population on land and a steadily deteriorating food supply position. Large size itself was probably a major handicap: the transition from economic stagnation or progressive deterioration to sustained economic growth is *in our view* significantly more difficult when the human mass involved is 400-500 millions than when it is a few millions.[6] As for the increase in the development potential, it is necessary to refer only to a few indicators such as near doubling of the literacy rate, from 16.7 per cent in 1951 to 29.5 per cent in 1971 and the increase in the numbers of educated, trained and skilled personnel. The number of students in secondary schools had increased five times, from 1.1 million in 1950-51 to 5.5 million in 1970-71 while the annual outturn of engineering graduates almost tripled within a single decade, from 5,700 in 1961 to 15,000 in 1969.

The principal object of writing the above is to point out that (i) a significant acceleration of India's rate of economic growth is essential, and that (ii) in the search for measures to achieve the acceleration, it will be necessary to take a critical look at the values and attitudes of India's economic and political management and at the economic efficiency of the British-modelled institutions that dominate the modern sectors of the Indian economy. A further point may be made also particularly from the experience of Japan, namely that borrowing of values and institutions is not as critical to achieving rapid economic growth as technological borrowing. Japan's example illustrates not only that vigorous economic growth can occur in non-Western societies — this would have been hotly disputed by many Western economists not so very long ago — but that these societies may find the mainsprings of growth in their own (suitably reoriented) traditional values and institutions. It will be necessary for India's decision-making elites to move away from their present attitude of uncritical condemnation of traditional Indian values and institutions and to have instead a more discriminating and perceptive attitude towards them. The strength of some of the traditional institutions such as the joint family is undoubted; most corporate business in India continues to be organised round joint or extended families. Some of them contain also elements that could assist in sparking rapid economic growth. There is a precedent for such discriminating acceptance of tradition in India's recent political history. The Father of the Nation, while vigorously opposing the social inequity and abuses of the traditional Indian society — these were symbolised by his total opposition to untouchability and ill-treatment of the scheduled castes and tribes — could nevertheless move India on the path of political freedom by appealing to deeply held traditional values. Movement towards vigorous economic growth may yet require similar perceptive appeal to Indian tradition.

Notes

1 The page numbers after the various quotations relate to the respective surveys.

2 Referring to the experience of the Colonies with the model, he writes, "The countries of the new Commonwealth are now almost without exception among the few areas of the world where government is not succeeding in inspiring either economic growth or personal freedom or political stability. Our usual legacy has been to leave squabbling within their power structures the two governing types that have proved most inappropriate for ruling any people in the last third of the twentieth century. Our imperial epilogue is that for the past two decades London School of Economics socialists and Sandhurst-types-of-generals have been running *coups d'etat* over the parts of the world that now are indeed painted red . . ." (p 7).

3 If the recent 3-4-fold increase in the price of crude oil stays, the position could change radically. Coal and railways could experience rapid growth while the petroleum and petrochemical industries could go through a period of major restructuring in which their growth remains slow.

4 Chie Nakane: "Japanese Society", Weidenfeld and Nicolson, London, 1970.

5 The countries classified as the "poorest" (with the capita incomes under $ 120 in 1972) by the IDA were the following:

	Population (millions)
"Least developed" countries: about 20 countries of Africa (mostly former French colonies in Central and West Africa) and Asian countries such as Nepal and Afghanistan	131.0
India	538.1
Pakistan and Bangladesh	130.2
Indonesia	115.6
Nigeria	55.1
Zaire	18.8
Sri Lanka	12.5
Total	1,001.3

6 While we are not aware of any study of the relationship between size and economic development, among the present-day developing countries, the fact that most of the large developing countries are in the lowest per capita income group and have experienced relatively slow rates of economic growth during the period, 1950-70, is not without significance.

A Chronicle of the DMK Split

K Ramaswamy Sastry

The 1969 split in the Congress took place at least partly because of the warring postures assumed by the party's organisational wing and the parliamentary leadership. Later, the split was sought to be used as an ideological tool.

But the DMK split occurred mainly because of a clash of personalities.

EVER since it displaced the Congress as the ruling party in Tamil Nadu in 1967, the DMK seems to have developed certain diseases commonly associated with political power. Corruption has become rampant under DMK rule. Its image, which was assiduously built, has been tarnished by elements in the party who have made money by unfair means. Its contacts with the people have also weakened. For instance, the students, who strongly backed the DMK's rise to power in the 1967 general elections are no longer its passionate torch-bearers.

The 1969 split in the Congress took place at least partly because of the warring postures assumed by the party's organisational wing and the parliamentary leadership. Later, that split was sought to be used as an ideological tool. But the DMK split occurred mainly because of a clash of personalities, though M G Ramachandran contended that it was basically due to a clash of principles.

Matters within the DMK came to a head on October 11, 1972, when the DMK Treasurer, M G Ramachandran (popularly known as MGR), was suspended from the primary membership of the party. 26 out of 32 members of the DMK's Executive Council signed a memorandum demanding disciplinary action against MGR for his vehement criticism of the party leadership. But MGR was no common, garden variety of politician but a leading film-star and thus a more 'genuine' idol of millions than any of his erstwhile brothers in the DMK ranks. He was in his own way instrumental for the astounding successes of the party first in the 1967 elections and then in the 1971 elections. According to Kuldip Nayar, the conflict began in March 1971 when MGR reportedly pressed his claims for a berth in the state cabinet. Karunanidhi hedged on the ground that the rules of conduct did not allow for a minister who would combine a film career with an executive job.[1] From then on, MGR tried to strengthen his hold on the party with the help of his 'MGR Manrams' (fan clubs). The other personal reason for Karunanidhi's ire against MGR was the latter's popularity and mass base. The MGR Manrams and MGR Rasigar Manrams claimed a membership of three lakhs against the DMK's total membership of six lakhs. Karunanidhi, therefore, tried to project his son, M K Muthu, as an alternative to MGR before the film-loving party masses. It was alleged that attempts were made to convert thousands of MGR Manrams into manrams named after the Chief Minister's son and naturally MGR resented these efforts.

Thus the tussle had already reached a point of no return, when MGR raised the sensitive issue of corruption and deviation from Anna's ideals such as prohibition. Karunanidhi was only waiting for an excuse to get rid of MGR from the DMK. MGR was expelled for his 'anti-party activities', the most important being his insistence that the DMK leaders at all levels, and their relatives should disclose their assets.

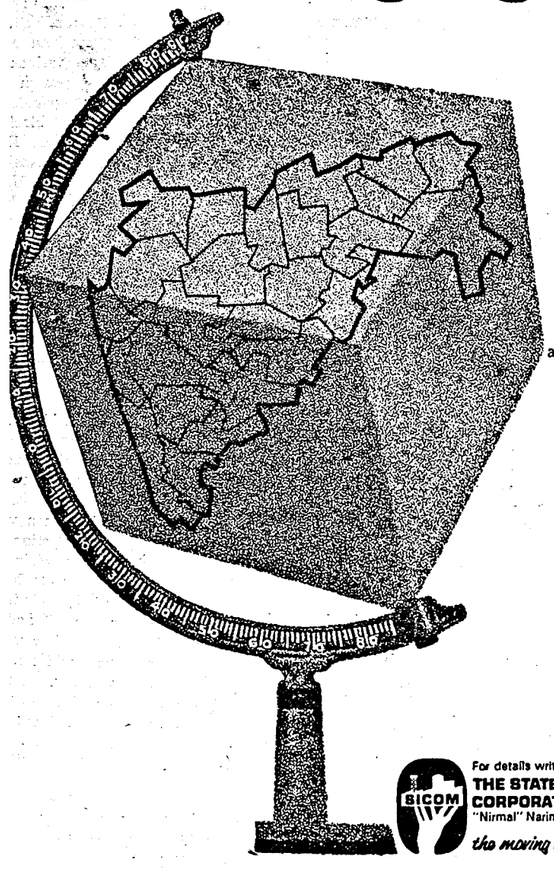
Earlier, matters had come to a head at the Madurai District DMK Conference, when MGR as the party Treasurer had insisted that proper accounts be rendered for the funds collected. He had even questioned the figure of over Rs five lakhs announced as collections at the Madurai Conference. It was alleged that only a little over Rs one lakh had in fact been collected.[2]

Later, MGR threatened that he would go to the people, if the party's General Council did not accept his plea about disclosure of assets. But what alarmed the top DMK leadership was MGR's determination to move a resolution concerning the disclosure of assets at the party's General Council scheduled to be held on October 12, 1972. Evidently to forestall this move the party took the abrupt and preemptive step of expulsion. The Chief Minister and President of the DMK, Karunanidhi, defended the action taken against MGR on the ground that it was meant to "save the party". He, however, stated that it was painful for him to have taken this action on one of his closest associates of well over two decades.

MGR's suspension made thousands of his fans extremely restive and there were state-wide demonstrations against Karunanidhi. Pro-MGR rallies were held at Coimbatore, Trichi, Erode, Mettupalayam, Tirunelveli, Madurai, Vellore, Gudiyattam and Madras. The MGR supporters at various places, including Bangalore which has a sizeable Tamil-speaking population, reacted sharply, carrying black flags and shouting slogans against Karunanidhi. At some places the processionists even burnt the effigy of the Chief Minister. For quite some time, violent demonstrations protesting against the suspension order continued in all parts of Tamil Nadu. It was obvious that Karunanidhi and the DMK High Command had made a major miscalculation; they had not expected the storm that broke out. Whether the stability of DMK government was affected or not there was now no doubt that the DMK would not be the same again. MGR, on his part, exhorted his followers and all DMK workers to support him in 'relentless battle' in the cause of righteousness and saving the party from dictatorship.[3]

Kamaraj, who had been very critical of the DMK administration ever since it came to power, saw in the emergence of MGR a rival to his popularity. He described the split in the DMK as "a stunt or drama" and said that MGR had been defending the DMK all the time and he could not have suddenly become virtuous. On the other hand, Rajaji, the elder statesman, applauded MGR and his efforts to topple the corrupt ministry. The CPI, also very critical of the DMK's misrule, joined hands with MGR in his campaign against Karunanidhi's ministry. MGR had two clear advantages over his rivals: (1) he was challenging the DMK leadership on the emotive issue of corruption and, (2) he was filling the leadership vacuum in the opposition camp created by the abdication of the Congress in DMK's favour in the 1971 elections.

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The DMK executive which met on October 12, 1972, at Madras, viewed the unexpected fierce public reaction to MGR's suspension with concern. After taking stock of the situation, a peace feeler was sent to MGR, offering to reconsider his suspension in the event of an expression of regret for his public utterances. The offer was promptly rejected by MGR when he asserted that "it is they who should express regret and not me". E V Ramaswamy Naicker and K Manoharan, MP, earnestly tried to bring about a reconciliation but in vain.[4] Gradually, violence spread throughout the state as a result of the stalemate.

Meanwhile, MGR added a new dimension to his campaign by calling for a judicial probe into the assets of senior partymen who had earlier been accused of corruption and nepotism. Faced with this unexpected success of MGR in mobilising the masses against the Karunanidhi ministry, the policy-making General Council of the DMK approved the action taken by the party high command against MGR. Endorsing its action, it also asked the high command not to make any more peace overtures to him. All the 277 members present (out of the total strength of 310) supported the resolution. It was generally interpreted as an unambiguous slamming of doors, although Karunanidhi said the "doors always stay open". MGR observed that he was amused by this remark of Karunanidhi because the late Annadurai had repeatedly told his partymen that the DMK had "no door" and it was an open house to all those who believed in the party's ideals. He reiterated that there was no question of his expressing regret as he had not done anything wrong. He also expressed surprise at the party General Council's decision ratifying the action taken against him. He praised the people for their spontaneous support to his operation cleansing which had assumed the proportions of a mass movement.

Birth of Anna-DMK

On October 16, 1972, MGR formed a new party together with his followers in Alandur, a suburb of Madras city. The new party was named Anna-DMK, with the same red and black colours of the DMK flag along with a picture of Annadurai in the centre. MGR explained that his party would steadfastly implement Annadurai's policies and programmes, including prohibition. Later, he toured the state extensively to explain to the people the need for the new party. He drew large crowds wherever he went and generally felt satisfied by the people's response to his views. Since the formation of the new party, many in the DMK had switched their loyalties to the Anna-DMK and every day thousands joined the new party. The immediate reaction of Karunanidhi to the formation of the Anna-DMK was that MGR had "achieved what he wanted and planned to do".[5] K A Krishnaswami, MP (Rajya Sabha), who had become the second casualty of the DMK when he was also expelled for violation of party discipine and 'anti-party' activities, was promptly made the State Organiser of the Anna-DMK. *Thennagam*, the daily edited by Krishnaswami was made the mouthpiece of the new party.[6]

However, the split was anything but ideological because the programme and policies of the Anna-DMK are in no way different from those of the DMK. The basic goals are almost the same: (1) more powers to the states and the need for transfer of residuary powers to the states and (2) the regional language should be the official language in each state and English should continue as the link language of the country. It is evident from the Anna-DMK Manifesto[7] released recently that apart from the above two common features, the one most important issue which the new party pledges to implement if voted to power, is total prohibition in the state.

The other socio-economic principles and objectives that the party stands for — collectively called *Annaism* by MGR, after the late Annadurai — include, among other things, ceiling on urban income, elimination of intermediaries, nationalisation of more banks and more effective implementation of social goals of bank nationalisation, nationalisation of heavy industries, takeover of the means of production and distribution of essential commodities, demonetisation of hundred-rupee notes to eliminate black money, etc. Also, students are promised job opportunities after completion of their studies or in the absence of jobs some kind of "guarantee for a living".

The Anna-DMK manifesto also asks for a constitutional amendment to grant the power to the electorate to recall elected representatives who have lost popular confidence or have swerved from their duties. An Anna-DMK Chief Minister, in the event of the party being voted to power, would have to seek an annual vote of confidence from the party's General Council. These policies sound far-reaching, if not sensational, in the context of the pervasive political permissiveness.

To continue the narrative of events — on November 4, 1972, MGR and M Kalyanasundaram, MP, met the Governor, K K Shah, to present separate petitions containing lists of 'specific charges' against the DMK ministry to be forwarded directly to the President of India. The Governor informed them that he could forward the petitions to the President only after verifying the facts from the state government as the constitutional procedure required him to do so. The Governor's reply led them to present their petitions directly to the President on October 6, 1972. They urged the President to appoint a commission of inquiry to go into the charges of corruption against the DMK ministers. Again, on November 19, 1972, K A Krishnaswami and K Manoharan, MPs, met the President and the Prime Minister and urged them to set up the proposed *inquiry commission*.

The Centre promptly forwarded the memoranda to the Tamil Nadu Chief Minister for his comments. Karunanidhi, after going through the charges levelled against his ministry, is reported to have remarked that the two petitions did not contain anything new. The CPI leader, Kalyanasundaram, reacted sharply to the Chief Minister's remark and said that the Centre had forwarded the petitions to the Chief Minister as a matter of routine and the Chief Minister had given the impression of ignoring these charges. He said Karunanidhi should not have hesitated to face a commission of inquiry even if he felt the charges were not serious enough.[8]

On December 14, 1972, Karunanidhi sent his comments running to 246 pages on the memoranda of charges presented to the President earlier. He denied all the allegations and dubbed them as "extremely frivolous, vexatious and false".[9] Further he raised a fundamental constitutional question in stating that a "state cabinet is not accountable to the Union government".[10] He also said that the state cabinet could not be subjected to a commission of inquiry as demanded by the Anna-DMK and the CPI.

Most of the national dailies, however, asserted that the Centre had the right to enquire into charges of corruption. But most of the opposition MPs were inclined to agree with the view held by Karunanidhi. Generally, they felt that it would not be healthy for democracy if the Union government were to

act just on the basis of complaints as in that case no government would be invulnerable.[11] On the other hand, some Congress MPs felt that the tone of Karunanidhi's reply to the Prime Minister was challenging in nature. They believed that Karunanidhi wanted to assert that there were specific spheres of functioning for the states and for the Centre and what he said was a reiteration of his demand for the states to have a larger measure of autonomy.[12]

The Anna-DMK and CPI leaders later submitted a 200-page rejoinder to the Prime Minister in answer to Karunanidhi's reply.[13] Indira Gandhi also referred this rejoinder to Karunanidhi for his comments.

Popular Support for Anna-DMK

Meanwhile, M G Ramachandran had been alleging that the DMK government was indulging in acts of lawlessness, police repression and violence on innocent people who supported the Anna-DMK. He had led a mammoth procession to Raj Bhavan on November 10, 1972. The sole aim of the procession was to express people's agony to the Governor. The procession was peaceful and orderly and it was an impressive demonstration of popular support for the Anna-DMK and its twin demands: (1) the resignation of the ministry and (2) the setting up of a commission of inquiry into the charges against the Karunanidhi ministry.[14] But commenting on the rally, the Chief Minister said that it was "a victory for the Communist party", thereby deriding the appeal of the Anna-DMK. In the meanwhile, the Congress High Command met at New Delhi on November 12, 1972, and decided that it should not involve itself in the situation created by the split as this was only a "purely internal party matter".[15] However, it felt that the Centre should look into the charges of corruption levelled by MGR against the DMK Ministry and act in accordance with the provisions of the Constitution.

On November 15, 1972, Tamil Nadu observed a near total hartal in response to a call given by the Anna-DMK and the CPI. The hartal was called to demonstrate "popular ill-will" against the DMK ministry, to protest against lawlessness and to back up the demand for a judicial inquiry into the corruption charges against the state ministry. This time the Chief Minister claimed that the hartal was no indication of the people's attitude towards DMK rule. But more independent observers described it as "the most complete witnessed in the state".[16]

For the third time within a month, the Anna-DMK and the CPI have organised a demonstration in the shape of a 'voters rally' throughout the state on November 26, 1972. As planned earlier, memoranda were submitted to the DMK MLAs requesting them to withdraw their support from the ministry. There were conflicting reports about its success or otherwise. About 500 persons marched to the Gopalapuram residence of Karunanidhi and and four leaders were allowed in to present a memorandum to the Chief Minister, who received it personally. Later he commented in his usual inimitable style that "I polled over 63,000 votes (in the 1971 Election). But the procession consisted of only 500 persons ... And I don't know how many of the processionists were from my constituency".[17] The Harijan Welfare Minister, Satyavani Muthu, also accepted a memorandum personally. In other cases, either family members of the MLAs received the memoranda or they were pasted on the doors of their houses. The organising parties, the Anna-DMK and the CPI, claimed that the voters rally was a big success in the state as a whole. They characterised the rally as the third phase of the "struggle against the Karunanidhi ministry's continuance in office".[18]

Earlier, on November 14, 1972, the Governor, K K Shah had prorogued the session of the Tamil Nadu Legislative Assembly and Council. This was a logical sequel to the extraordinary ruling adjourning the Assembly till December 5 by the Speaker, K A Mathialagan. Earlier, he had advised the Chief Minister to secure a fresh mandate from the people. The Chief-Minister had rejected the suggestion and said his party would go to the polls when the term of the Assembly expired in 1976. The order of adjournment followed, although the Speaker had declared earlier that he would allow discussion of a motion for the removal of the Speaker on the following day. But as a result of the prorogation the motion for the removal of the Speaker lapsed.[19] However extraordinary the situation might have been in Tamil Nadu in the wake of the split the stand taken by the Speaker was clearly improper and unjustified. Karunanidhi's hold over the Assembly was clear as 178 MLAs of the ruling coalition were solidly with him. The Chief Minister in a statement appealed to Mathialagan to accept in true democratic spirit the suggestion made by an overwhelming majority of the MLAs to resign from the speakership. Mathialagan rejected the demand and stated that although he had earlier announced that the motion for the removal of the Speaker would be taken up on November 14, he felt that since there was an extraordinary situation in the state following the split in the DMK it called for an extraordinary solution to resolve the crisis. The Speaker's partisan loyalty to the Anna-DMK was revealed when he observed that "it is not enough for a chief minister to enjoy the support of MLAs alone".[20]

Soon after, the Madras High Court admitted three writ petitions filed by Mathialagan, MGR and Thangamani (CPI) challenging the action of the Governor in proroguing the session of the legislature. In yet another development on November 28, the Governor summoned the Tamil Nadu legislature to meet on December 2, 1972. All its members were telegraphically informed of the Governor's notification.

On December 1, 1972, the Madras High Court made it clear that the business of the Tamil Nadu legislature need not be stopped because of the pendency of the writ petitions filed against the prorogation by the Governor of the legislature.[21] On December 16, 1972, a full bench of the Madras High Court upheld the Governor's prorogation of the legislature. The Court justified the Governor's action as being guided by the "advice of the Council of Ministers".[22]

Removal of the Speaker

The Tamil Nadu Legislative Assembly met on December 2, 1972 and witnessed unprecedented scenes of confusion. Pandemonium prevailed when the House had two presiding officers conducting parallel proceedings simultaneously. It all started when the Speaker took up the no-confidence motion tabled by the Anna-DMK against the DMK government. As Mathialagan was speaking, Veerswami of the DMK read out a resolution and asked for the removal of the Speaker from his office. Veeraswami was supported by 183 members of the Assembly. The DMK floor leader and Education Minister, V R Nedunchezian, then stated that when such a motion was being discussed the Speaker ought to step down. Mathialagan refused to comply with the DMK leader's request. However, the House resolved that the Deputy Speaker should preside and conduct the proceedings of the House. Thereupon, P Sreenivasan, the Deputy Speaker, moved close to the Speaker's chair and began conducting the proceedings. In utter disgust Mathialagan left the House and the entire opposition followed suit. The Deputy Speaker occupied the chair vacated by the Speaker. Nedunchezian then moved a resolution removing the Speaker and empowering the Deputy Speaker to preside.

Against his removal, Mathialagan filed a writ of *Mandamus* in the Madras High Court on December 5, 1972, praying that the Deputy Speaker, the Chief Minister, the Leader of the House and the Secretary of the Legislative Assembly should be restrained from interfering with his right to continue to function as Speaker. Admitting the writ petition, the Madras High Court directed issue of notices to the respondents to be returnable in a fortnight's time. P Sreenivasan, the Deputy Speaker, who was one of the respondents, however, told the Assembly that he did not propose to be subjected to the authority of any court in performance of his functions.

On February 27, 1973, a full bench of the Madras High Court dismissed the writ petitions filed by Mathialagan challenging his removal as Speaker. The Court held that the matter was beyond its purview under the Constitution. The Court further observed that the two acts of the Assembly — taking up the motion for the Speaker's removal and authorising the Deputy Speaker to conduct its business — were "not illegal or unconstitutional" and the House had the power to deal with and decide upon them. The Court also declared that Mathialagan's attempt to cling on to the chair when a resolution for his removal was round the corner was indeed a violation of the Constitution and that Mathialagan ought not to have allowed MGR to move the motion of no-confidence against the ministry before transacting the routine business of the House.

Bindigual By-Eelection

Dindigul By-Election

electoral appeal came with the Dindigul by-election on May 20, 1973. The Anna-DMK won the Dindigul Lok Sabha seat by a most impressive majority, polling 25,000 votes more than the total jointly secured by all three opponents — DMK, Congress and Congress(O). The electorate decisively rejected the DMK and almost completely ignored the Congress. The massive mandate in favour of the Anna-DMK indicated that the charges made by the Congress and the Congress(O) of corruption and mismanagement against the DMK government had lent greater credibility to the anti-corruption stand of the Anna-DMK.[23] Also, the electorate probably regarded the contest as primarily a trial of strength between the DMK and the Anna-DMK, and backed the latter. The other decisive factor, caste, was largely neutralised by all the contesting parties taking care to set up a candidate from the majority caste in the Dindigul constituency — the Thevars. On the whole it would be reasonable to assume that the electorate registered its dissatisaction with the record of the ruling party, the DMK, and preferred to vote for a 'new' formation — the Anna-DMK.

Notes

1 *National Herald*, October 12, 1972.
2 Kuldip Nayar, "The Tamil Nadu Drama", *Statesman* (New Delhi), December 5, 1972.
3 *Times of India* (New Delhi), October 13, 1972.
4 *Hindu*, October 12, 1972.
5 *Hindu*, October 13, 1972.
6 *Hindu*, October 19, 1972.
7 *Times of India* (New Delhi), October 17, 1972.
8 *Statesman* (New Delhi), October 1, 1973.
9 *Hindustan Times*, November 19, 1972.
10 *Times of India* (New Delhi), December 15, 1972.
11 *Indian Express* (New Delhi), December 16, 1972.
12 *Ibid.*
13 *Hindustan Times*, January 6, 1973.
14 *Hindustan Times*, November 14, 1972.
15 *Hindu*, November 13, 1972.
16 *Hindu*, November 16, 1972.
17 *Hindustan Times*, November 27, 1972.
18 *Ibid.*
19 *Hindu*, November 15, 1972.
20 *Statesman* (New Delhi), November 17, 1972.
21 *Hindu*, December 2, 1972.
22 *Times of India* (New Delhi), December 12, 1972.
23 *Hindu*, May 23, 1973.

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Parry's Confectionery Limited

Statement of the Chairman, Mr H V R Iengar

THE Nineteenth Annual General Meeting of the Company was held on 18th March 1974 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 9.13 lakhs. The profit after tax is Rs 4.12 lakhs compared with Rs 2.43 lakhs last year.

The Board has recommended the same dividend of 14 per cent this year also, absorbing Rs 3,92,000.

The profit available for appropriation including surplus brought forward from the previous year is Rs 4,13,205 out of which Rs 42,350 has been set aside for Development Rebate Reserve, leaving a balance of Rs 3,70,855. Drawing a sum of Rs 22,000 from the General Reserve and after meeting the proposed dividend, a sum of Rs 855 is left surplus to be carried over.

Manufacturing and Trading Conditions

Although sales amounted to a record figure of Rs 4.41 crores compared with Rs 3.31 crores last year, the margin of profit remained low owing mainly to frequent increases in the prices of the major raw materials and packing and wrapping materials. Only a partial increase in selling prices to offset the higher cost was possible to prevent any adverse reaction on sales. The power cut imposed by the Government of Tamil Nadu from October 1972 affected the working of the factory to its full capacity until we went in for our own generators at a cost of Rs 3.06 lakhs.

Machinery for replacement and rehabilitation worth Rs 8.46 lakhs was installed during the year.

Malaysian Factory

Following the changes in marketing arrangements carried out in 1971, only a low level of domestic sales was achieved during the transitional period resulting in a loss of M$ 447,000 for the year ended 31st December 1972. Contrary to expectations, the operations of the Company in 1973 too have resulted in a substantial loss, the exact quantum of which will be known when the accounts of the Malaysian Company are finalised for the year ended 31st December 1973. There is no question but that the quality of our sweets is acceptable. Unfortunately, with the best of efforts, the volume of domestic sales achieved in 1973 was not commensurate with the selling expenses. In order to diversify the Company's activities, a project to make chocolate-coated wafers was sanctioned. The machinery has arrived and it is hoped to start manufacture shortly. The management of the Company has been made over to the Malaysian Directors for convenience of taking quick decisions. Only technical staff from India are provided by us, as stipulated in the Royalty and technical knowhow agreement, in order to ensure that the quality of the product sold under "Parry's" name is maintained.

Prospects

In the Central Budget presented on 28th February the duty on confectionery has been raised from 30 paise per kg to 10 per cent *ad valorem* equivalent to an average of Rs 1.15 per kg. This steep levy on top of the ever increasing cost of raw and packing materials pushes up the price of sweets to a level at which, it is feared, there will be consumer resistance. In the first few months of the current year the demand for Parry's sweets has been keen but there may be a fall in offtake affecting the whole industry.

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



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April 23 and 24, 1974.
India produces good steel office furniture, inexpensive filing and information systems and hardy copying and calculating machines. A wide array of office and business machines equipment will be on display and more than 20 manufacturers will be participating. The latest and the most extensive developments in the field of office equipment will be on display.

FIRST INDIAN AUTOMOBILE SPARE PARTS TRADE FAIR:
August 16, 17 and 18, 1974.
Sparkplugs, tyres, carburettors, gear boxes, speedometers, differentials, fuel gauges, windscreens etc., will be among the many other items on display.

SECOND INDIAN ELECTRONICS TRADE FAIR:
September 6, 7 and 8, 1974.
Items on display will be in the following categories:
a. Consumer and entertainment electronics.
b. Professional and industrial electronics.
c. Medical electronic items.
d. Measuring instruments.

SECOND INDIAN READYMADE GARMENTS TRADE FAIR:
September 20, 21 and 22, 1974.
(In collaboration with the Clothing Manufacturers' Association of India.)
A variety of garments will be on display—of cottons, silks and synthetics—of millmade fabrics and handwoven fabrics. There will be shirts, trousers, safari jackets, ladies bell-bottom suits, guru shirts and what not—a collection representing the cross-section of the current trends in international clothing styles.

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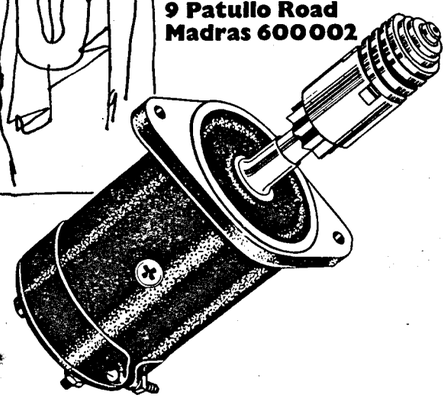
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BOUNTY FOR FARMERS

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NEGLECTED OPPORTUNITIES IN IRRIGATION

FOOD POLICY BLOWN AWAY

WORKING OF CREDIT AUTHORISATION SCHEME

PRICE CONTROLS AND 'MARKET REALITIES'

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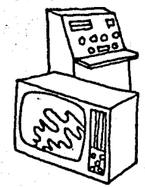
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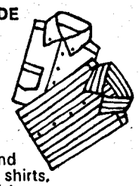
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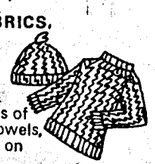
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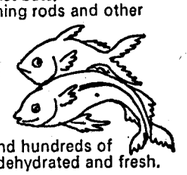
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THE TAJ MAHAL INTER-CONTINENTAL BOMBAY, INDIA

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol IX No 14 **April 6, 1974**

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Investment Is Always Expendable

THE government's response to the gathering clouds on the balance of payments horizon has been typical. Emissaries have been despatched in all directions to scrounge for aid. All the brave resolutions about managing without the charity of other countries have been forgotten in a moment and it is as if the Fifth Plan's commitments on the subject of self-reliance had never been made. The government will beg for as much aid as it can get, from whoever will give. At the same time, however, consider the import policy for the current financial year announced this week. No sense of emergency, comparable to that motivating its aid-raising efforts, informs the government's approach to allocating foreign exchange, already scarce and likely to get much scarcer, among competing demands for imports. It is to be business as usual on the imports front. True, it has been decided that import licences will be issued initially to cover only the first half of the year. But, in the absence of any attempt to tighten the norms governing the issue of import licences, this decision may actually have the perverse consequence of inflating the premium on imported items and exaggerating the demand for imports during this period. Clearly, the decision to issue import licences for only six months is not intended to enable the government to frame an import policy more in keeping with the tight foreign exchange situation. If the government had wanted to attempt such a tightening up exercise; it has had all the time in the world to do so. The six-month stipulation is really intended to buy time till the results of the many missions sent out to look for aid become known. If these missions are less than successful and if demand for imports in the first half of the year gets artificially exaggerated (something which can be easily camouflaged as the result of the launching of the Fifth Plan), then the fat will be really in the fire.

That the foreign exchange situation was going to be difficult this year had been known for a long time. This should, therefore, have been the occasion for the government to review its import policy which has been operated for the last few years in conditions of relatively easy availability of foreign exchange. What has been done in fact is simply to continue last year's import policy with some further liberalisation at a few points. The import policy announcement is, of course, replete with references to priority and non-priority industries. But here — as in other spheres of economic policy such an industrial licensing or taxation — the priority sector is defined most expansively. Thus motorcycles, scooters, all automobile ancillaries and man-made fibres rank on par with capital goods industries such as industrial and mining machinery, electrical machinery and machine tools in the category of priority industries. What is more, a variety of excuses are found for permitting liberal imports by industries which do not manage to find a place in the priority list. Thus, units engaged in non-priority industries are to be given priority treatment if they export 30 per cent of their production. No questions are to be asked whether, after they have received priority treatment with regard to imports, these non-priority industries earn any net foreign exchange at all. Similarly, small-scale industries are entitled to special treatment simply on the ground of their being small-scale. Under the latest import policy announcement, they have been allowed to straightaway arrange for imports to cover their requirements for the first half of the year. For this purpose, import licences issued to them for 1973-74 are to be made automatically valid for repeat imports to the extent of 50 per cent of their value. Here, again, it is considered irrelevant to ascertain how dispensable are the activities in which these so-called small-scale units are engaged; or how many of them are genuine small-scale units and how many are owned and controlled by large industries and business houses, having been set up as small-scale units only to take advantage of the many concessions extended by the government to the omnibus category of small-scale industries; or, finally, how much of the imports allowed to the small-scale industries actually gets used by these units and how much gets diverted to other units which, even in terms of the government's liberal import policies, would not have qualified for these imports.

It has been generally recognised that the system of issue of import replenishment licences to exporters has been widely used as a device to divert imports to a variety of blatantly low-priority uses. Yet the government in its wisdom has now decided to allow a 10 per cent increase in replenishment levels across the board to all exporters whose replenishment rates are below 50 per cent. This has been done supposedly to offset the disadvantage that exporters might face due to higher prices of imported materials or inadequate availability of certain domestically-produced inputs. However, even

maly accordingly develops. The government is often responsible for the production of the commodity; it however fails to exercise control over its distribution and the emergence of abnormal profits cannot hence be prevented. But no part of the excess profits flows in the direction of the government: it is appropriated entirely by the intermediaries.

Ever since the Raj Committee deliberated on the issue more than a decade ago, the alleged irrationality of price and distribution controls for essential commodities has been the staple of many debates. A particular point of view has increasingly come to the fore. If, in view of the scarcity of the commodity in question, there are consumers who are prepared to pay a high price for it, the government itself should feel no compunction to appropriate the extra profit associated with this price; the middleman could thus be squeezed out. In case some users find it difficult to pay the high price, special subsidies could be arranged for them. In pursuance of this point of view of moving closer to market realities, prices of most steel products in the country were increased across-the-board in October last year. By raising the prices in this manner, Hindustan Steel and its associated units, it was assumed, will be enabled to improve their finances and, at the same time, traders and other intermediaries will at long last be deprived of the privilege of making easy money from resale of scarce steel items. The picture at the end of six months following the rise in steel prices is however altogether different. The price adjustment has certainly helped Hindustan Steel to present at least a marginally better income and expenditure account. But the other major hope, namely, the elimination of traders' profit, has been thoroughly belied. The explanation for this is not far to seek. Even as the JPC prices were raised, the premium offered by the market for each category of steel products was also instantly adjusted upwards, and to a proportionate extent. The steel items continue to be scarce in the market and the users are more than prepared to pay the increased prices for obtaining the necessary supplies. The consequence has been a certain general increase in steel prices, which has merely fanned the flames of inflation. Traders' margins remain what they were. And since steel enters into the production of many of the inputs of the industry, the improvement in the income-expenditure accounts of the steel units is likely to prove altogether illusory too.

This chapter of price fixing in accordance with market signals should teach the decision-makers a crucial lesson, namely, that by attempting to narrow the gap between the official price and the market price of a scarce commodity through raising the level of the former, you never really succeed in the objective, for the market price itself is pushed up by the same proportion by which the government price is increased. There is such a thing as the state of expectations with respect to commodities which are in short supply in an inflationary situation. The operators in the market are aware that end-users are prepared to pay a premium — either specific or *ad valorem* — over the government price irrespective of the level of the latter. To assume that by increasing the official price one could lower the traders' margin is thus altogether unrealistic. If the shortage persists, such a stratagem might actually embolden the traders into further enlarging their scale of profits. And this consideration should be about as relevant for foodgrains as for steel. It does not however seem that there are many people in New Delhi ready to buy such home truths at this particular moment.

'Leftist' Parties

Lost Credibility

THE so-called Leftist parties' periodic attempts to justify their existence are truly pathetic. One such will be the meeting proposed to be held in New Delhi this week of leaders of nine parties — the CPI(M), the Socialists and the CPI being the major ones among them — supposedly to work out a joint programme of action.

What has forced this effort on these parties is clear enough. During more than two years of acute and growing economic hardship, when the prices of basic necessities of life have doubled and employment has stagnated, none of these parties has had anything much to show by way of organising the people to protest against their economic distress. Their feeble antics in Parliament and the state legislatures have not had the least effect on the Congress governments at the Centre and the states which have reneged on practically every election promise made by the party in 1971 and 1972. Outside Parliament, such mass protest actions as have taken place have owed nothing to these parties, even on their own admission. On the contrary, at least some of these parties have come quite close to joining the Congress in debunking these movements — such as those in Gujarat and Bihar recently — as the work of reactionaries, communal parties and what have you. Be that as it may, the fact remains that the Leftist parties themselves have, by and large, slumbered through what has been perhaps the gravest economic crisis since Independence. This week's meeting in New Delhi is an attempt by the parties concerned to reiterate their reason for existence — for the benefit of the general public as well as their own cadres, such as they are.

It would have been one thing if the parties had been active in organising popular movements in different parts of the country and were coming together to discuss ways of co-ordinating these movements. This, of course, is far from being the case. The meeting in New Delhi is in fact intended to cover up the participants' total failure to mobilise the people. This being so, the preoccupation of the participants will be with excuses for inaction — past, present and future — and with forms of symbolic protest like bandhs whose only merit lies in the newspaper publicity they get for their sponsors. The occasion, one may be sure, will be used to air the well-rehearsed polemics between the CPI(M) and the CPI about whether the opposition to the Congress should be total or whether good Congress governments should be distinguished from bad ones and 'progressive' Congressmen separated from the 'reactionary' ones. The very fact that the CPI — whose political survival depends on its links with the ruling party — is one of the principal participants should be enough to expose the hypocrisy of the proposed meeting.

But what is true of the CPI is substantially true of the other so-called Leftist parties as well, their holier than thou postures notwithstanding. Their passionate avowals of opposition to the ruling party could be taken a little more seriously if there had been any evidence of active political work among the people. In the absence of such evidence, their pretence of launching a "joint offensive" against the Congress must appear as fatuous as the CPI's talk of organising a "mass dehoarding campaign" directed at "monopolists, hoarders and landlords".

Irrelevance of Licensing

Hansavivek

ELECTRIC CONSTRUCTION AND EQUIPMENT's installed capacity, as revealed in the latest annual report, far exceeds the licensed capacity in respect of a number of items, as the following figures show (the licensed capacities are given in brackets): single phase meters 3,00,000 (1,80,000); poly phase meters 1,50,000 (54,000); transformers 10,50,000 kVA (7,50,000 kVA); electric motors and pumps 3,36,000 HP (2,88,000 HP); lifts and industrial lifting platforms 500 (280). The installed capacities of fractional and rayon pot motors and welding transformers are stated to be "under assessment" and of starters, switches and cut-outs "under re-assessment". Even the figures of licensed and installed capacity given in the report are not precise, for a note appended to the table says that in cases where licences were not available or did not indicate quantities, the licensed capacity has been given on the basis of applications/returns to the government and relevant correspondence. The company began trial production of GLS lamps and fluorescent tubes during the latter half of last year. The licensed and installed capacities are 6 million and 1 million, respectively. Production during 1972-73 was only 0.13 million GLS lamps. Installed capacities of both the items are expected to be reached this year.

During 1972-73, ECE spent Rs 45 lakhs on new buildings, plant and machinery, a substantial portion of which was for the lamp project. Production of transformers at the Cossipore, Vizag and Sonepat plants totalled 664,999 kVA against only 393,511 kVA in the previous year. Production of electric motors at Barrackpore, Cossipore, Ghaziabad and Visakhapatnam was 9,136 motors of 64,198 HP against 3,950 motors of 27,587 HP a year ago. The switchgear division of Budge Budge is still not out of the woods and has yet to achieve economic working with an oil circuit breaker and its mechanism of improved design. Meter prices continued to rule low, while raw material prices shot up. Nevertheless, ECE's share of sales, production and profitability in the country's meter industry "continues to grow satisfactorily". Commenting on future prospects of the company, the directors say that while scarcity of essential raw materials and shortage of electric power are adverse factors, the growing demand for the company's products is expected to lead to improved working results.

CAMPHOR AND ALLIED PRODUCTS is going ahead with expansion of its activities. It expects to commission the terpene resin plant by June or July next and the PMHP plant some time in the beginning of the next year. Some

The Week's Companies

(Rs in Lakhs)

	Electric Construction		Camphor and Allied		Fit Tight Nuts		Laxmi Machine	
	Latest Year 31-10-73	Last Year 31-10-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 30-9-73	Last Year 30-9-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up capital	211	211	90	60	108	108	254	254
Reserves	202	181	174	158	100	94	237	222
Borrowings	525	455	162	140	340	353	406	541
of which Term borrowings	122	87	102	108	45	50	202	67
Gross fixed assets	741	696	391	326	445	420	675	596
Net fixed assets	505	495	306	254	256	253	402	379
Investments	2	1	—	—	—	—	7	7
Current liabilities	296	226	133	113	117	99	405	147
Current assets	785	635	252	216	410	400	892	778
Stocks	506	424	101	75	179	179	523	407
Book debts	267	203	133	126	228	218	360	370
Net sales	900	599	384	329	426	361	662	654
Other income	34	28	5	3	7	5	18	30
Raw material costs	611	347	162	134	93	78	76	72
Wages	165	112	41	30	77	54	95	83
Interest	54	44	17	13	39	37	36	40
Gross profit (+)/loss(—)	**87**	63	109	93	62	57	107	132
Depreciation provision	32	25	14	11	22	25	56	42
Tax provision	13	8	40	21	14	8	—	—
Net profit(+)/loss(—)	42	30	55	61	26	24	51	90
Development rebate provision	15	1	4	6	4	5	35	13
Transfer to reserves	6	8	38	46	3	—	—	47
Dividend								
Amount	P 4 E 17	4 17	E 13	9	P 1 E 18	1 18	E 30	30
Rate (per cent)	P 9.3 E 10	9.3 10	E 15	15	P 9.50 E 19	9.50 19	E 12	12
Cover (times)	1.35	1.47	3.92	6.11	1.18	1.00	0.53	2.57
Ratios (per cent)								
Gross profit/sales	9.66	10.52	28.38	28.26	14.55	15.79	16.16	20.19
Net profit/capital employed	4.48	3.54	12.91	17.04	4.75	4.32	5.68	8.85
Inventories/sales	59.22	70.78	26.30	22.78	42.02	49.59	79.00	60.70
Wages/sales	18.33	18.53	10.68	9.12	18.07	14.96	14.35	12.70

delay has occurred in the latter case, since some of the imported equipment will arrive only by the end of this year. Along with this expansion, the company has undertaken installation of the new distillation column for purpose of obtaining better recovery of alpha pinene and separation of beta pinene, which is a basic chemical for the perfumery industry. Equipment is also being installed to bring about changes in the process of manufacture of camphor and utilisation of by-products and throw-out on more economical basis. This is also expected to be completed by around the middle of this year. Total cost of the expansion is estimated at Rs 117 lakhs, of which capital expenditure of more than Rs 50 lakhs has already been incurred. Further finance to the tune of Rs 40 lakhs is intended to be raised by way of term loans or by issue of debentures. The company has once again turned out good results, with higher sales and profits. Dividend is maintained at 15 per cent on the capital as enlarged by a one-for-two bonus issue. Even so, it is covered nearly four times. At the end of 18 years of its existence, the company's equity capital stood at Rs 90 lakhs. Of this, as much as Rs 40 lakhs comprised gift shares. The company is looking ahead to further growth in the coming years. The present expansion apart, the research centre built at Baroda at a cost of Rs 115 lakhs holds out promise of widening the company's product-range and diversifying its activities.

FIT TIGHT NUTS AND BOLTS has expanded fast. It has already set up a second plant at Porbandar in Gujarat and has been on the look-out for a suitable piece of land to shift the Bombay factory at Andheri-Kurla road where scope for further expansion of activities is limited. Land has now been purchased at Kandivli, a suburb of Bombay, for this purpose. Meanwhile, licences have been obtained to import balancing equipment of the value of Rs 28 lakhs. ICICI has granted foreign exchange loans of US $ 282,000 and DM 654,425 for this purpose. Once again, the company has produced good results with higher sales and profits, though gross margins have been slightly lower compared to the previous year. The ratio of inventories to sales was brought down, but that of wages to sales rose. Since 1960-61, when the company became public, paid-up equity capital has gone up from Rs 21 lakhs to Rs 96 lakhs and gross block over 60 times. Sales have expanded over 100 times and reserves have risen from Rs 2 lakhs to Rs 101 lakhs.

LAKSHMI MACHINE WORKS is seeking an industrial licence for manufacture of open end spinning machines in collaboration with Rieter Machine and has also applied for doubling the licensed capacities of combers and lap machines. It also proposes to step up production of all items and reach the licensed capacity in two or three years. Moreover, a second unit is intended to be established in a 'backward' area to undertake manufacture of certain new items, such as precision cone/pine-apple cone winders and circular winders in collaboration with Schweiter Engineering of Switzerland. This programme is estimated to cost Rs 3 crores, of which Rs 75 lakhs on additional machinery and equipment were spent last year, another Rs 80 lakhs will be spent this year, and the balance during 1975. With this investment, the company's turnover will go up to Rs 11 to 12 crores per annum. A sister company, 'Lakshmi Automatic Loom Works', is being floated to undertake manufacture of 'C' type automatic loom in collaboration with Ruti Machinery of Switzerland. A 'letter of intent' has been received and industrial licence and approval of the collaboration agreement, import of capital goods, etc, are expected very soon. The unit is expected to go into production before the end of 1975 or early 1976. During 1973, the company's profit declined perceptibly from the previous year's level in spite of a small increase in turnover. Contraction of margins was caused by loss of production as a result of power-cut and labour unrest, coupled with increase in prices of raw materials and components. Nearly half of the dividend, maintained at 12 per cent, is short-earned. Part of the dividend will be exempt from tax. LMW exported machines, spares and castings worth Rs 28 lakhs. Contracts worth Rs 975 lakhs have been finalised for export of machinery, spare parts and castings to the far-eastern countries for delivery from 1974 to 1976.

RAMKISHAN ISPAT is entering the capital market on April 15 with a public issue of 3,10,000 equity shares of Rs 10 each at par to raise part of the finance required for its Rs 107-lakh mini-steel project at Taloja in Kolaba district of Maharashtra. The plant will have a capacity of 10/12 tonnes and is expected to go into production by May or June next. Construction of the factory building is nearing completion and major equipment for the plant with an annual capacity of 18,000/20,000 tonnes has started arriving at the site. The company has been promoted by the Aggarwal family owning ferrous and non-ferrous re-rolling mills and conductor factories. The factory has the advantage of location near Bombay, which is both a large collecting centre for scrap, the essential raw material, and a ready market for the company's products. The management expects the company to pay a dividend of 15 per cent out of the earnings of the first year of production and to raise it to 20 per cent from the third year. The subscription list will close on April 26 or earlier, but not earlier than April 19. The public issue is managed by FICOM.

DECCAN FARMS AND DISTILLERIES, a new company, is setting up an agro-based chemical complex in the sugarcane-growing area of Karnataka. The company has drawn up plans to manufacture 10 lakh litres of Indian-made 'foreign liquor', 25,000 hecto litres of beer and 3,000 tonnes of open-pan sugar. Besides, it will manufacture Sorbitol and Manitol (the former is required for making vitamin C and the latter for explosives), cattle and poultry feed, potash (fertilisers), carbon dioxide, etc. The project is estimated to cost Rs 165 lakhs, including Rs 33 lakhs for land and buildings, Rs 65 lakhs for plant and machinery and Rs 65 lakhs for working capital. It is proposed to be financed by share capital (Rs 50 lakhs), term loans (Rs 60 lakhs), loans from banks (Rs 40 lakhs) and sundry creditors (Rs 15 lakhs). Commercial production is expected to commence in September next. The management expects the company to pay a dividend of 12 per cent for the first year and to gradually raise it to 20 per cent in the fourth. The company expects to export part of its production of alcoholic beverages and has, in fact, already received enquiries from UK and USA. A public issue of 3 lakh equity shares of Rs 10 each is being made to finance part of the project cost. The subscription list opens on April 8 and will close on April 22 or earlier, but not before April 15. The public issue is managed by the stockbroking firm of Lewis and Jones, D B Pawar Desai, former Deputy Minister of Agriculture, Karnataka, is the company's chairman, and A B Patil Alaskar is the managing director.

Calcutta Diary

A M

THE glory lies in the size of the grab. And there is a certain catholicity in taste: discrimination of any sort is frowned upon, our leaders cringe for money before each and all, before big and small countries alike. The hoity-toity days of the late 1950s are gone. Then, it was only the Americans who mattered. There has been a secular growth of learning since. Beggars are not supposed to be choosers; our leaders cannot any longer be accused of choosing. In other seasons — or in the same season, given a different forum — these same persons would preach the morality of self-reliance. Chameleons are not bred, they are born. At this specific moment, the leaders are engaged in cringing for funds. Just watch how newspapers display the proud headlines. Our begging missions are increasingly gathering alms: the Japanese are going to assist at Bhatinda; God bless the thousand-year rule of the Pahlevis, the Shah of Iran has promised continuing help for the refinery at Madras; Iraq has taken kindly to us; for the first time, Ireland has made budgetary provisions to offer us aid. There is no mistaking the smirk of satisfaction: we have emerged as the champion touch artists in the world, there could be no greater salvation for the great Indian people.

Indignity, where is thy sting! A certain imperviousness has spread its domain. That to beg in this manner could be demeaning beyond words, hardly occurs to the operators in New Delhi. Till the other day, the Government of India used to maintain a patronising, sneering superior attitude toward the Arab sheikhdoms. All that is gone. There could be no greater cultural revolution. We now stoop to beg from each and all. Whoever has a buck to spare will be pursued by India. The individual and collective images are on the point of getting merged. A sight, fairly common in Europe as much as in North America, is that of hordes of slightly seedy-looking compatriots, clustering together at a travel agent's or at a discount shop, avarice writ large across their faces, higgle-haggling for an extra bit of concession, or for another 5 per cent cut in the price, for the goodies they are wanting to buy. The official image of the country is by now scarcely any different. The Government of India's shifty-looking emissaries are all over, buttonholing the rich, the reputed-to-be-rich and the not-so-rich with equal fervour. Make no mistake, whoever can be embarrassed into giving us a few morsels of extra aid will be embarrassed. Our embassies will cringe before them, pester them, bully them, cajole them. But the sanctimony will still be there. A virtue will still be made of the act of begging — as if the foreign governments should actually be beholden to us, as if it is they who should be proud of the fact of having been permitted to offer assistance to India, the great India, the country of such noble culture and tradition.

The country of such noble culture and tradition will stretch its palm and seek money from practically everybody. If Chad has money to offer, India will take it. If Fiji has, ditto. If perchance Zulfiqar Ali Bhutto, in a fit of malicious generosity, will offer New Delhi a couple of million dollars of aid, trust our politicians to accept that too: some subterfuges will be worked out to call the proffered aid by another name, but that will merely prove the point of a strong positive correlation between the art of panhandling and that of hypocrisy.

Stripped of Pride

One has a thousand complaints against the administration ensconced in New Delhi. Some of them are substantial, some are lightweight, some are superficial, some are sentimental. But the most serious complaint putting into the shade all the rest, is this one: namely, stripping the nation of its pride. The British were here, ruling over the land, more or less with an iron hand, for more than a century and a half. It was alien rule, there was that ignominy of total disenfranchisement. Not even the feudal overlords, nor the small group of industrialists, nor the commercial pretenders, could claim to be their own decision-makers. An English or Irish or Scottish brat would descend on four thousand square miles of a district — perhaps inhabited by as many as a crore of people — and administer it in the manner of an absolute oligarch. It went on for decades. This was a subjugated, emaciated, trodden upon nation. But, by and large, we retained our composure. Scars of deprivation were writ large across the countenances of countless poor men. The wounds of not being free may have been invisible, but the indelible marks of that state of being were scarred across the heart. There was no surrender of dignity, however. The people were not dispossessed of their pride. Inevitably, there were a handful of cringers. But the nation, considered as a whole, did not give in. It accepted the fact of its misfortune; it accepted the fact that subjugation by an alien power calls for a particular restraint in manners. Indian society had its cruelty and heartlessness; it had its built-in inequities and absurdities. The residual attributes however formed a substantial core. Poverty, the nation taught itself, was reconcilable with dignity as long as you were prepared to live within your means.

It is soon going to be twenty-seven years since August 15, 1947. And look where we have arrived. Champion panhandlers, running after whoever has the cash, our eyes glisten as the stray passer-by, impatient to get away, drops a careless penny into the pan. We have begun to scrounge before the Iraqis and the Yemenis; very soon, it might be time to beg accommodation from the Nepalese and the Burmese, who are hardly better off than us. The pattern of behaviour will also be completely reversible — in that, those who have no cash to spare, we will treat with appropriate disdain. Ethics will come to have a new set of parameters attached.

And this, after all the torrent of frothy, wearisome talk about self-reliance. Self-reliance is a pre-condition to an internal system of discipline. You resolve that you are going to manage within your means. Having made the resolution, you go about it remorselessly, rearrange the distribution of goods and resources which you have strictly on the basis of nationally-determined priorities; and there the matter ends. Remorselessness in this instance represents the highest form of empathy and pride, for it allows you to stay away from the indignity of cringing before others.

The arithmetic is actually simple. You can do without foreign food and yet have no famine, only if you arrange to collect the food from where it is plentiful in the country and distribute it, equitably, in those areas where it is relatively short. You can do without foreign petroleum products — or at least cut down drastically the extent of your dependence on them — if you can enforce a strict system of rationing, re-align the pattern of your

energy utilisation, and get the maximum out of your internal capacity. You can severely reduce your requirements of foreign equipment, spares and raw materials if you agree to enforce a moratorium on a whole range of consumer goods industries whose output caters exclusively to the demands of the top fractile of the community. You can get more production out of your existing industrial system, if you rationalise your power grids, be ruthless with those elements who deliberately restrict output for boosting their rate of profit, and take a few honest steps to check the spiralling up of prices so that your labour feels somewhat less grumpy. You can discipline your balance of payments and yet ensure a satisfactory rate of growth if exports are forced up through an internal disciplining of prices. If your foreign policy is not deliberately pushed along the wrong rails, external trade relationships might actually develop with countries which are in a position to offer you, for example, fertiliser and oil. If, again hysteria were eliminated as an important adjunct of foreign policy, the nation might end the insensate diversion of precious resources into the *cul de sac* of mounting defence expenditures, away from economic development. If sixty crores of rupees were not offered this year as tax concession to the rich, we might be spared the indignity of begging for an extra sixty crores of rupees worth of foreign aid.

But all this is folly to the Government. Decisions are taken on the basis of what is preferred and not preferred by that thin section of the population at the top. This fraction has evidently preferred national indignity to national discipline. Measures toward disciplining the economy would mean depriving these people of a large chunk of their current command over goods and services — which, if re-distributed, might allow the nation to do without dependence on foreign resources. But material comforts count above all; this section of the population would not mind cringing before others. They constitute a gross, vulgar sample. And while the masses are made to share the national ignominy of begging from others, they receive no part of the consequential dispensation.

Whether or not one subscribes to the theorem that there has been an absolute immiserisation of the majority of the population since Independence, it would be difficult to controvert an even simpler proposition — that, whatever improvement in levels of living, that has taken place in the case of the majority of the nation, it could have taken place even without foreign aid, and hence without the massive surrender of dignity brought about under the auspices of the ruling elite.

Newspapers, meanwhile, talk of another breakthrough: Is it Cyprus, now, which has kindly agreed to offer assistance to us?

CAPITAL VIEW

What Is "Popular"

Romesh Thapar

IF Indira Gandhi thinks that the major correction on food distribution, announced last week following a much-publicised 'debate' among chief ministers, is a pointer to her willingness to take unpopular decisions, she is much mistaken. The public sector foodgrains distribution had failed miserably. The return to the private trader was inevitable, considering the disastrous state of the public sector now at the mercy of charlatan managers, corrupt trade unionists, and cynical politicians. The decision on food distribution is 'popular', if anything can be so described these days.

However, the trouble with popularity these days is that it soon passes. The private traders are not innocents. They will soon locate the opportunities for the quick rupee in the new arrangements. Reports reaching quarters other than the Food Ministry suggest a shortfall of anything upto 5 million tonnes in the winter crop. Until the traders see steps taken to meet this shortage, they will hold back from the market. The knowledgeable do not see any relief until after a good monsoon.

Ostensible Retreat

What is going to happen to the urban work-force as the food market is played, is anyone's guess. At the moment, there does not seem to be any coherent thinking on the subject of organising strict rationing at this level. We seem to be confident that the hoards are huge and prices will show an appreciable fall. It is inexplicable why a more comprehensive exercise is not done, an exercise which could even embrace what are known as 'vulnerable' sections — sections which have to fill their bellies with wheat or rice or coarse grain.

It is absurd to talk of 'popular' and 'unpopular' decisions when the country is on the verge of terrible shortages and dislocations. What is needed is the political will to carry through the policies upon which survival depends, whatever the campaigning of the economic and political lobbies. To this extent, Indira Gandhi has moved on food distribution with intelligence, even though belatedly. The lapses are due to the incredible stupidity of some of her colleagues.

Now, we are certainly entering a phase where the Government of India will have to take the lead in justification of policies which might at first appear to be a retreat from that magic word, 'Socialism'. Vital raw materials for industry and agriculture have to be obtained in difficult international markets, and even through the assistance of unpalatable allies. What's more, if the highly skilful dislocation of industry and power continues at the level of various categories of railway workers, the economy will become even more exposed.

Take a pertinent example. Bombay High. The oil find is extraordinary. If the prospecting and consolidation of the oilfields is conducted with energy and without hitch, a vast investment will have to be made — an investment which will mean the entry of foreign capital and knowhow on a scale hitherto unknown. There can be no playing around for time, because such resources are now scarce and much sought after by many nations — including the Soviet Union. We have already lost five years in this exploration. We could remain paralysed for another five if Indira Gandhi and her talkative Oil Minister conduct the game as they would a faction fight in the party — by committee and sub-committee. A new kind of stamina will be required to safeguard our interests.

Holding Operations

We are relying too much on the generosity of the Russians and the Americans, and now of the Iranians and the Iraqis. This non-stop begging is always paralleled by bombastic lectur-

ings on self-reliance. The two performances are interlocked. It is about time we got down to first principles. Get those damned resources organised with whatever technical assistance, local and foreign, is available. Preserve sovereign control over the resources. Sack the men who are incapable of delivering the goods. And chain the wreckers, whether they are officers or workers, unionised or otherwise. Indira Gandhi has her cards laid out. Every move has been discussed and debated threadbare. Errors can now only be deliberate, rooted in stupidity, in weak political will.

Oil and food are going to haunt this country in the years ahead. We cannot hope to get our own resources into operation in anything less than three hard years. As for food, the situation will remain serious, for population figures are outrunning production, whatever the perambulations of our experts in the GOI. More and more, attention will focus on the 50 million acres being brought under cultivation in the US. Maybe the USSR and Africa may begin one day to yield surpluses, but not within the foreseeable future. The kind of economic planning we need to do is very different from the present exercises at Yojana Bhavan — that is, if we want to salvage our sovereignty in the quickest possible time.

But not a thing will happen unless Indira Gandhi takes a real swipe at her corrupt and incompetent colleagues, so numerous today that they have infected the entire government process. Credibility is needed to act, to persuade, to motivate. And credibility is almost zero. It need not be. Here is a 'popular' decision waiting to be taken.

And, in passing, a footnote. The Fifth Plan was launched on April 1 — as 'a holding operation'!

April 1

FROM OUR CORRESPONDENTS

INTEREST RATES

Some More Tinkering

(From a Special Correspondent)

THE Reserve Bank has raised the interest rates payable by scheduled commercial banks on savings and fixed deposit accounts from April 1. The major changes effected are: (i) one full percentage point increase, from 4 per cent to 5 per cent, in the rate on savings deposits; (ii) increase of 0.25 percentage point in the rates on fixed deposits of less than 9 months' maturity and 0.50 to 0.75 percentage point on the rest, with the highest rate at 8 per cent on deposits for more than 5 years; and (iii) reintroduction of fixed deposit accounts of two maturity slabs of nine months to one year and two to three years which had been thoughtlessly abolished when the deposit rates were last revised from April 1, 1973.

Reserve Bank to Share Bounty

Simultaneously with the increase in deposit rates of commercial banks, interest rates on post office savings bank deposits, on other small savings media, and on provident fund accumulations of Central government employees have been raised. The treasury bill rate, which had been raised from 3.50 per cent to 4 per cent in May 1973, along with the increase in the Bank rate, has again been raised to 4.25 per cent; at the same time, the buying and selling rates for Central government securities, which had been retained unaltered at that time, have now been so changed as to provide a yield of 6.25 per cent against the present 5.75 per cent. Market loans of the Central government may have to offer higher yields and there will occur consequential changes in the yield rates on state government loans too. These higher yields will largely go to fill the coffers of the Reserve Bank, which will share some of the bounty with the scheduled commercial banks whose cash reserves with the Reserve Bank in excess of 3 per cent will now fetch an interest of 5.25 per cent instead of the present 4.75 per cent.

There might be some differences about the appropriateness of the changes made in particular rates. For instance, it could be argued that savings accounts are no different from current accounts and that, therefore, there is no case for allowing the same interest rate on them as on fixed deposits of 3 to 6 months. On account of the liberal withdrawal facilities allowed, over 85 per cent of savings deposits get classified as 'demand' deposits in the Reserve Bank's own data. A high interest rate on savings accounts may be justified on the ground that rural savings, deposited in saving accounts with banks, deserve a better return. But, then, small deposits from just 10 per cent of total savings deposits, though in the rural areas they do account for almost 40 per cent of total deposits of commercial banks (RBI *Bulletin*, January 1974). That apart, it is reasonable to argue that savers should be encouraged to keep their savings increasingly in the form of fixed deposits, leaving only minimum balances in savings accounts. For this purpose, the interest rate on savings deposits should be kept relatively low. The 3 percentage point difference between the new savings deposit rate of 5 per cent and the rate of 8 per cent on fixed deposits of over 5 years is too small.

Then there is the question of parity between the interest rates on commercial bank deposits and on comparable post office savings accounts. However, considering that postal savings accounts cater to the needs of a specific class of savers in the rural and urban areas and the total exemption from income-tax of interest earned on them, it is unnecessary to aim at complete parity between the interest rates on savings deposits of banks and on postal savings accounts.

Peripheral Issues

Finally, it may be suggested that the difference between interest rates on fixed deposits of short and long durations is not large enough. For instance, fixed deposits for over five years earn 8 per cent whereas deposits for three years earn as much as 7.50 per cent.

But all these are really peripheral issues. The major issue is that the monetary authorities apparently persist in their failure to recognise the importance of interest rates both for a more rational application of scarce capital and for achieving larger savings in the form of commercial bank deposits. Their policy measures are so *ad hoc* that, far from giving the lead to developments in the money market, they lag behind market trends.

To begin with, the entire premise on which the present interest rate policy is based has been proved wrong. The low interest rate policy has been

defended on the ground that since investment is sensitive to interest rates and deposits are not particularly so, high interest rates will discourage investment without much gain in the form of larger savings.

Series of Distortions

In fact, low interest rates have caused a series of distortions. First, they have inflated the demand for bank funds from organised industry. According to the Reserve Bank's study of the finances of large and medium public limited companies in the private sector, their short-term bank borrowings were 20 per cent of their inventories in 1950; the ratio rose to 34 per cent in 1955-56, 48 per cent in 1960-61 and 59 per cent in 1970-71. Surely, in the case of public limited companies, it cannot be suggested that this was the result of funds taken from usurious moneylenders being replaced by advances from commercial banks! What has apparently happened is that availability of liberal bank credit at relatively low interest rates has encouraged industrialists and traders to use their own funds elsewhere. Together with quantitative restrictions on bank credit, the cost of credit could have been used as an instrument to bring about a more rational pattern of use of funds.

Similarly, the ready availability of loans from the term lending institutions at low rates of 9-9.5 per cent has encouraged investment in capital-intensive techniques. The widening of the gap between the cost of term finance and working capital finance, as a result of the recent increase in the commercial banks' lending rates, is likely to further encourage investment in labour-displacing machinery and equipment.

The ready availability of loans and advances from the financial institutions has encouraged promoters to keep their reliance on equity to the minimum and underrate the importance of paying satisfactory dividends. It has also enabled companies to be tightly controlled by business groups whose returns from the business take a variety of forms other than dividend payments. If loan finance, both short and long term, were made really costly as well as relatively scarce, company managements would have to rely more on equity capital. And to attract equity capital they will have to improve their declared (as opposed to concealed) profitability.

Coming back to the premise on which the current low interest rate policy is based, it has been now established beyond doubt that bank deposits are interest-elastic at certain ranges. To quote the Banking Commission, "Academic exercises, including those commissioned by the Banking Commission from independent research institutions indicate that the interest rate is an important determinant of the demand for deposits. In particular, the demand for time deposits shows a high elasticity with respect to the interest rate on such deposits." To have an impact on deposits, the changes in interest rates have to be substantial enough; more important, they have to be related to the changes in other monetary and price variables. For instance, going by the consumer price index, the value of the rupee today is just 42 per cent of what it was in 1960 (to put it very crudely). In 1973 alone there was a depreciation of as much as 17 per cent. Compared to this, the rise in the maximum deposit rate from 6 per cent in 1960 to 8 per cent is totally inadequate.

In this context, it is interesting to see how inflationary conditions have brought about changes in interest rates in a country like the UK. The prime lending rate of commercial banks in Britain has been raised from 9 per cent in July 1973 to 14 per cent in February 1974 and the rate for three-month deposits from 7.97 per cent to 14.80 per cent. The same has been the case in Japan and other countries faced with inflation. Though conditions in these economies are different from those obtaining here, the point still remains valid that to have a positive impact on savings interest rates have to have some relationship with commodity prices. There is, for instance, every case for a sharp push to the deposit rates of commercial banks, raising the maximum rate for deposits of 5 years and above to 12 per cent.

There is similarly a strong case for stepping up the banks' lending rates on large advances of Rs 1 lakh and above, which account for about 80 per cent of total bank credit outstanding, to, say, 16-17 per cent. For the rest, the Reserve Bank should operate a really effective differential interest rates policy, depending on the purpose of the loans. This is bound to have a healthy effect on the commodities market. Likewise, the prime rates for long-term capital should be raised to around 15 per cent instead of the present 9 to 9.5 per cent. Today interest cost in total costs of production is so negligible — 2 to 4 per cent for the major industries — that industrialists have no incentive to save on capital. In addition to raising the cost of funds, the term-lending institutions should restrict their total assistance to 20 to 25 per cent of the cost of a project. This will compel companies to attract more equity capital — with wholly beneficial effects on their operations.

It is incredible but nevertheless true that a major factor that always weighs against even marginal increases in interest rates is the cost of borrowing for the government. The market for government securities is an almost wholly captive one; besides, practically the entire revenue from the interest on government securities is earned by one segment or another of the government itself. In the case of the Central government, in fact, even today its interest receipts are more than its interest payments. If the state governments have to absorb some additional interest costs as a result of a rationalisation of the interest rate structure, the Centre could allow some debt rescheduling. What is important is that the state governments as well as public sector undertakings realise what the real cost of the capital that they raise and use (or misuse) is.

To summarise, there is a case for giving a sharp push to the entire interest rate structure in the country on the following lines: (i) a maximum deposit rate of 12 per cent for deposits for 5 years and above; (ii) a prime lending rate of 16 to 17 per cent for commercial banks with a structure of differential rates for small borrowers; (iii) a Bank rate of 10 per cent; (iv) a term-lending rate of 16 per cent with a further restriction that assistance by the term-financing institutions will not exceed 20 to 25 per cent of the cost of projects; and (v) consequential charges in the yield rates on government securities.

Jyoti Switchgears

JYOTI SWITCHGEARS has turned out good results for 1973, the eighth year of its existence, which have enabled it to not only wipe off the accumulated deficit, but also pay a maiden dividend of 10 per cent, wholly exempt from tax. Sales advanced from Rs 91 lakhs to Rs 121 lakhs and gross profit was up from Rs 5 lakhs to Rs 9 lakhs. The company has undertaken manufacture of cam switches on a mass scale. There is good scope for this product and the company's profitability is likely to improve further.

MAHARASHTRA — I

The Fight Is On

THE revolt against Chief Minister V P Naik in the Maharashtra Congress has come out into the open with this Tuesday's requisitioned meeting of the Congress Legislature Party. At the meeting, eight legislators made a savage attack on the Chief Minister and held him responsible for the government's failures on many fronts. Although Naik's critics still constitute only a small group, they are backed by a powerful anti-Naik faction of the leadership, headed by Vasantrao Dada Patil, number two in the Cabinet, and P K Sawant, Pradesh Congress President.

Tuesday's meeting had been requisitioned by 136 Congress legislators who had submitted a memorandum to the Chief Minister nearly a month ago. Naik's opponents had recently scored a victory by securing the withdrawal, through the Prime Minister's personal intervention, of the nomination of N K Tirpude, a close friend and political associate of the Chief Minister, to the Legislative Council. The requisitioned meeting of the Legislature Party was thus the second blow in quick succession aimed at the Chief Minister.

The Corruption Issue

The attack on the government and on the Chief Minister at the meeting was on many grounds. Corruption was perhaps the issue most emphasised by Naik's critics. Besides, the Chief Minister was accused of encouraging casteism and of failing to fulfil the party's election promises, particularly the 15 point 'garibi hatao' programme. Speakers at the meeting also pointed to the ascendancy of the bureaucracy under Naik's regime. Civil servants, it was alleged, treated even legislators with contempt.

The attack on the Chief Minister was opened by Eknath P Salve, a Harijan member from Chanda district, and a leading light of the Maharashtra unit of the now-defunct Socialist Forum and a close associate of Minister of State for Home, Sharad Pawar. Salve listed various failures of the state government and pointed to the government's total deviation from the party's policies and programmes. He also accused the Chief Minister's followers of spreading the 'virus of casteism' to sustain themselves in power. He condemned the propaganda launched by Naik's supporters that the demand for a change of chief ministers had been inspired by the numerically, politically and economically powerful Marathas. The 'ganging up' of non-Maratha politicians against Shankarrao B Chavan, one of the aspirants for the chief ministership, was, Salve pointed out, also "casteist" and was detrimental to the harmonious working of the party and the government.

Salve received strong support from V G Prabhugaokar, a legislator from Ratnagiri and a known camp-follower of the Pradesh Congress chief, P K Sawant. Prabhugaokar charged that there was an all-pervading atmosphere of feudalism in the state, with ministers and the top echelons of the administration behaving like feudal kings. The state, according to Prabhugaokar, faced a 'crisis of leadership' and the government was suffering from a 'crisis of confidence'.

K B Mhaske, a senior legislator from Ahmednagar district, followed with charges of corruption against the administration, asserting that the Chief Minister and his group in the cabinet had failed completely to check 'rampant corruption at all levels of the administration, from top to bottom'. Even more forthright was the attack by Baburao Kotwal, a nephew of the Union Finance Minister, Y B Chavan. Kotwal alleged that Naik had completely lost control over the administration and that government officers had scuttled the policies and programmes of the party and the government. Kotwal told the Chief Minister that he was the head of the government "only in name" and that officers in the secretariat were the real masters. If "this situation continued for some more time, the Congress party in Maharashtra would be doomed". Sadashiv Shinde, MLC from Kolhapur and a protege of Vasantrao Dada Patil, said that under the present leadership the Congress party and its government had completely lost touch with the people. The Congress dared not go to the people — so corrupt had the administration become. The offices of the state government, zilla parishads and municipalities had become veritable salary distributing centres. The corrupt administration had failed to implement even the much-publicised guaranteed employment scheme in the rural areas. The government provision of Rs 10 crores annually on the scheme was just 'a drop in the ocean'; by contrast the government spent hundreds of crores of rupees on the salaries of its employees every year.

All these speakers — Salve, Prabhugaokar, Mhaske and Shinde — alleged that the ministers of the government and officers, from Secretary to District Collector, treated legislators with contempt. Naik was accused of 'spoiling the administration'.

V K Tembe, member from Greater Bombay and a protege of the BPCC President, Rajni Patel, attacked Naik not only for 'rampant corruption' and for the government's failures on the agricultural and other fronts but also for his alleged alliance with the Shiv Sena. Tembe alleged that it was at the instance of the Chief Minister that the BPCC had entered into an alliance with the Shiv Sena for the recent Lok Sabha by-election from the Central Bombay constituency. Tembe pointed out that the people scoffed at Naik's denial that he had anything to do with the Shiv Sena.

Naik's supporters listened in silence as the attack on the Chief Minister continued. The charges against the government and the Chief Minister were, they knew, another move in the game to oust him. The meeting on Tuesday was inconclusive and the discussion will be resumed on April 9. Perhaps Naik's supporters may return the fire then.

No Quitting without Fight

Meanwhile, the Chief Minister is reportedly going to use one of the last weapons available to him, the expansion of the cabinet. He has nine vacancies in the council of ministers and he will use the opportunity of filling them to divide his opponents. At any rate, it is clear that despite the attacks on him within the party and the many hints dropped by the Prime Minister herself, Naik has no intention of quitting without a fight.

But whether Naik leaves or stays, the hitherto solidly united Congress in Maharashtra is becoming, like its counterparts in other states, faction-ridden. Y B Chavan is no more the supreme boss. Either of the two groups, Vasantrao Patil's or Naik's, may seek the support of the Prime Minister — some thing which Maharashtra Congress leaders had, as if by common consent, avoided doing so far. This is a development which will be definitely to the liking of the Prime Minister.

Many Loose Ends

P R Panchmukhi

THE year 1974-75 is the first year of the implementation of the Sixth Finance Commission's recommendations. It is also the first year of the Fifth Plan. The budget proposals of the Maharashtra government for 1974-75 have to be analysed against this background.

The brief survey of the economy of the state preceding the budget proposals points out that the year starts with a heavy deficit on the previous year's account of Rs 20.73 crores according to the revised estimates as compared to a small surplus of Rs 0.13 crores indicated in the budget proposals. This was caused, *inter alia*, by the following factors:

(a) Ways and means assistance from the Central government towards scarcity relief expenditure was not available.

(b) The Central government's assistance for continuing relief works was also not available.

(c) Centre's assistance during the year was Rs 102 crores as against Rs 111 crores claimed by the state.

(d) The state had to incur an unbudgeted liability of about Rs 34 crores towards payments of additional dearness allowances to its employees. (Part of the amount was credited to their provident fund accounts, leaving about Rs 20 crores to be met by the government during the year.

(e) The Central Plan assistance was reduced by about Rs 7 crores to Rs 57 crores.

These unbudgeted liabilities (with some 'economy' in expenditure resulting in a saving of about Rs 26 crores) converted the surplus budget of 1973-74 into a deficit budget, the deficit of Rs 21 crores being nearly two-thirds of the total proposed revenue mobilisation in 1974-75.

The resources position of the Maharashtra government before taking account of the effects of the 1974-75 Budget proposals is indicated below:

	(Rs crores)
(1) Finance Commission Grants	622.97
(2) Net receipts on capital account after meeting capital expenditures	44.61
(3) Open markets borrowings	10.03
(4) Central Plan assistance	49.98
(5) Small savings	39.60
(6) Provident fund	11.87
(7) LIC loans for Plan	1.10
(8) RBI Loans for Plan	2.00
Total	785.16

Against this resources position the state government is committed to incurring the following expenditures in 1974-75:

	(Rs crores)
(1) Committed expenditure due to the Fourth Plan (non-Plan account)	591.88
(2) Non-Plan new expenditure	26.45
(3) Unbudgeted non-Plan expenditure	10.00
(4) Plan expenditure	209.82
Total	838.15

The excess of total expenditures, both Plan and non-Plan, over total receipts is likely to be of the order of Rs 52.99 crores. This deficit is likely to be reduced by discontinuation of some of the non-Plan expenditure programmes, likely increases in open market borrowings and Central assistance, and economies in expenditure. The budget proposals are estimated to fetch Rs 31.21 crores, still leaving Rs 21.78 crores as the uncovered deficit.

Mixed Record

Has the state exploited its revenue sources fully? If per capita tax revenue is any indication of tax effort, Maharashtra is found to have the second rank among the states with a figure of about Rs 49 next to Punjab with Rs 55. Taking tax revenue as per cent of state income, Maharashtra is first among the states, with a figure of about 9 per cent currently as compared to around 6.2 per cent in 1965 when the state was in the third place. However, if we take increase in the state's tax revenue as per cent of the state's income, Maharashtra slips to third place. Income elasticity of tax effort also gives the state the third rank. Per capita tax revenue as per cent of per capita income takes the state to the fourth place.

Taking both tax and non-tax revenues, Maharashtra has mobilised around 17 per cent of its income. While the state tops the list with regard to exploitation of its tax resources, with regard to the exploitation of its non-tax resources its performance is less satisfactory. About 27 per cent of its total revenue receipts at present come from non-tax resources; if Central grants are excluded, the percentage comes to nearly 18. Poorer states like MP, UP, Karnataka, etc, do better than Maharashtra in respect of their non-tax resources. While a detailed examination of the non-tax resource potential of the state is called for, one can say that there is much scope for improvement in the performance of the state's irrigation schemes, electricity generation programmes and commercial enterprises run by government departments. The state's irrigation schemes in particular present a picture of very low efficiency of operation.

The performance of the state has been generally satisfactory with regard to tax resources. Sales taxes, which fetch nearly one-third of total revenue and more than 58 per cent of total tax revenue, are the most productive tax source. The per capita sales tax collection is the highest among all the states. Nearly 4 per cent of consumer expenditure in the state is found to be towards payment of sales taxes. The figure is the highest among all the states.

However, with regard to two important tax sources, taxation of agriculture and state excise duties, the state's tax system leaves much to be desired. Direct taxation of the agricultural sector consists of land revenue and agricultural income taxation. Maharashtra gets more than 90 per cent of its receipts from agricultural taxes through the land revenue. It ranks eighth among all the states in respect of the burden of land revenue per hectare. It is about Rs 8.50 as compared to Rs 21.20 for Andhra Pradesh, which tops the list. Poorer states like Tamil Nadu and Bihar perform better in this respect. The performance of Maharashtra with respect to agricultural income taxation is very disappointing. With very high exemption limits, which exclude practically all normal agricultural incomes from taxation, and with low rates, this tax is as good as non-existent. A particularly disturbing feature of this tax is that the tax revenue has fluctuated very widely over the years, between Rs 3 lakhs and Rs 106 lakhs. In 1965-66 the receipts were Rs 25 lakhs; they fell to Rs 3 lakhs in 1968-69, rose to Rs 106 lakhs in 1969-70 and then again fell to Rs 25 lakhs in 1971-72. These fluctuations are a sufficient indication of lack of rigour and seriousness in the enforcement of the tax.

State excise duties have not been fully exploited in Maharashtra. Increase in state excise collection as per cent of increase in state income is among the lowest for all the states. It is around 0.05 per cent as compared to around 1.5 per cent for Andhra Pradesh, Punjab and Rajasthan. State excises are limited to narcotic drugs and alcoholic drinks. With the abolition of prohibition, it should be possible to exploit this source better.

Apart from the above sources which have to be tapped more fully, there is urgent need to rationalise the entire tax system of the state. Particularly, taxation with regard to the flow of goods from one part of the state to another needs a thorough overhauling as it is found to be obstructing the production process without proportionate gains to the state's coffers.

Budget Proposals

The Budget for 1974-75 contains around 25 major proposals consisting of measures for revenue mobilisation and for rationalisation of the tax system. Out of these 8 are measures of fresh taxation in terms of introduction of new tax bases. There is an attempt at rationalisation of the system with regard to nearly 8 types of taxes. Rationalisation consists of both restructuring of the base and redefinition of the rates of levies. With respect to 12 types of taxes, mostly sales taxes, the existing rates are raised.

The new levies are (i) a tax on accommodation tariff in posh hotels; (ii) tax on large residential buildings; (iii) sales tax on entertainment followed by cabarets or floor shows; (iv) transport fee and export fee on spirits; (v) education cess on irrigated crops other than those already subjected to such a cess; (vi) agricultural holdings surcharge; and (vii) and (viii) nutrition surcharge on entertainment fees and on passenger fares. All these levies are estimated to fetch around Rs 9 crores, which is more than one-fourth of the entire revenue effect of the budget.

Rationalisation is attempted generally in terms of merging the scarcity relief levies with the regular levies and also in terms of making the levies vary with the socio-economic position of the tax-payer. For example, the various scarcity relief surcharges on entertainment, passenger fares and cesses on irrigated crops are proposed to be merged with regular duties under the respective heads. With regard to the electricity duty, the present anomaly of low rates for high consumption and high rates for low consumption is corrected by making the rate structure progressive with reference to the number of units of electricity consumed. Similarly, there is a higher tax on motor vehicles — double the normal rate — owned by companies. In the same way, the goods tax on public goods vehicles is made progressive with respect to the carrying capacity of the vehicle. The nutrition surcharge will be higher on higher value entertainment tickets. The surcharge on passenger fares, which is high for urban transport and low for mofussil transport, also aims to adjust the incidence according to the socio-economic circumstances of the tax-payer. The education cess on urban property is also made as a graded levy depending upon the annual letting value of the urban property.

Also, with regard to the new levies mentioned above, an attempt has been made to make the rate structure progressive. For instance, the burden of the tax on accommodation tariff in posh hotels is made an increasing function of the tariff. The tax on large residential accommodation also varies progressively with the area. Another direction in which rationalisation is attempted is the levy of some taxes at higher rates in businesses as compared to individual consumers (as in case of motor vehicles taxation and education cess on urban property) and on the urban sector as compared to mofussil and rural areas (as in the case of the surcharge on passenger fares). The above rationalisation measures are estimated to fetch about Rs 10.15 crores. About Rs 12 crores are expected to be realised by rate increases, particularly with respect to the remaining sales taxes and stamp duties.

Three aspects of the budgets tax proposal deserve to be noted:

(a) the heavier incidence of the tax proposals on the consumer rather than the producer;

(b) the heavier burden on the urban sector than the rural sector; and,

(c) the inflationary potential.

The number of levies on the consumers is larger than that of those on producers. There are 18 taxes on consumer items (both durable and non-durable) such as accommodation, residential buildings, coffee, toilet articles, electricity, urban property, etc. The taxes on the producer such as the increased sales tax on refrigeration plants, tabulating machines, industrial raw materials, timber, tax on motor vehicles of companies, etc, are very likely to be shifted to the consumer.

Light Burden on Agriculture

A more glaring anomaly is the heavier incidence of the tax proposals on the urban rather than the rural sector. For example, the taxes on accommodation tariff, big residential buildings and industrial raw materials, the education cess on urban property, the motor vehicles tax, the sales taxes on timber, air-conditioning plants, computers, etc, hit the urban industrial sector the most. As against this, the levies specific to the agricultural sector are only two — the education cess on irrigated crops and the holdings surcharge. While the levies on the urban industrial sector bring about two-thirds of the total tax receipts from the new proposals, the levies on the rural-agricultural sector fetch less than one-tenth of the total tax revenue. A beginning has been made towards increasing the taxation of the agricultural sector with the holdings surcharge. However, the total receipts of Rs 1.50 crores from these levies coupled with about Rs 18 crores from land and agricultural income taxation would be hardly sufficient to attain the objective of inter-sectoral equity.

The tax proposals also have a mild inflationary potential. For instance, the rise in the rate of sales tax on industrial raw materials, high taxes on motor vehicles of companies, upward revision in the goods tax rates on goods vehicles, etc, on the one hand, and increases in the rates of straight levies on consumer items like coffee, furniture, etc, on the other, might provide some fillip to the inflationary forces. Of course, it is difficult to find a tax which does not have any impact on prices, especially in an inflationary situation.

There are two aspects of the Budget — one relating to expenditure and the other to taxation — which are disappointing. It is stated in Part I of the Budget Speech (p 15) that in order that as much as Rs 194 crores out of total Fifth Plan outlay for the year of Rs 280 crores is earmarked for the core sectors of agriculture, irrigation, power and industry, the provision for social services is being reduced. With regard to the basic social services such as primary education, medical care and clean water supply there are many unfulfilled tasks before the state. The second factor which is disappointing is that the Finance Minister has lost yet another chance to rationalise the tax system for inter-regional flows of goods. The octroi duty is an unprogressive levy causing hindrances to trade and production and giving vast scope for corruption and malpractices. The Committee appointed by the government had recommended its abolition a long time ago. However, no action seems to be contemplated in this direction. A properly restructured sales tax system can effectively replace the octroi duty.

NORTH

Bounty to Farmers

BOTH farmers and traders in Punjab and Haryana have heaved a sigh of relief at the Centre's decision to end the government monopoly in wheat trade. The system had not only led to a string of malpractices in these surplus states and brought ridicule upon the administration but had also proved a hindrance to wheat supplies flowing into the market. Last year's procurement price of Rs 76 a quintal had also disheartened the growers who felt that the returns from the wheat crop were not remunerative enough and hardly covered the costs of production. Some growers in fact switched over to potatoes and oilseeds which have proved far more profitable. As a result, according to an unofficial estimate, the acreage under wheat in 1973-74 is about 10 per cent less than last year. The subsequent bonus of Rs 5 for every quintal of wheat sold to the government improved the procurement prospects in the latter half of the season and enabled the authorities to achieve about 90 per cent of the procurement target. Of the Rs 13.5 crores paid as bonus to farmers, the state government's contribution was one-third.

The Rs 19 increase in the procurement rate recommended by the APC early in March came as the first ray of hope to Punjab-Haryana farmers that market realities were being belatedly recognised. But in both these states, farm inputs not only became scarce but also costlier. Thousands of farmers had to pay black market prices for diesel and fertiliser which further pushed up their costs of production. Finding that even the APC's revised price range had failed to satisfy the growers, the Punjab and Haryana Chief Ministers strove hard during and after the Chief Ministers' Conference, held in the middle of March, to persuade the Centre to improve upon its recommendation. With the highly influential and fast expanding farmers' lobby in Punjab, any Chief Minister who fails to ensure sizeable profits to the landlords cannot hope to survive politically.

The enhanced price of Rs 105 does not satisfy all the farmers who consider a larger profit margin indispensable for sustaining the Green Revolution in general and for boosting wheat production in particular. The farmers demanded Rs 115 as the minimum price; and the state government is still thinking of ensuring a higher return to growers somehow. The consumer in the two states, who have had to pay at least 50 per cent more for wheat in the winter season, fear that fixation of Rs 150 per quintal as the maximum price at which wholesalers would sell wheat actually opens the way for charging a much higher price for atta in the open market. The administration's enforcement machinery being in poor shape, traders who exceed the prescribed price range are unlikely to suffer in any way. Past experience shows that they will get away with it and profiteering will be rampant.

While the ruling party in Punjab has scored an economic victory through the enhanced wheat price and thereby won the farmers' goodwill, it has suffered a political setback through the Akali-backed Jan Sangh candidate Baldev Prakash's triumph in the Amritsar by-election. The Jan Sangh was completely routed in the 1972 Punjab Assembly elections, and a solitary victory now does not by itself signify restoration of public confidence in the erstwhile ministerial partner of the Akalis. But it is the active revival of the Akali-Jan Sangh combination and the drive it has planned to oust the Congress ministry that is far more significant. The Akali Dal (the 23-strong second largest group in the state assembly) and the Punjab unit of the Jan Sangh (understandably eager to refurbish its tarnished image and stage a comeback) have now planned a joint front.

Even with all the non-Congress elements in the assembly (the CPM, once an ally, now has no spokesman there), the Akali-led front cannot hope to match the Congress majority of 66 in a 104-member House. But a Jan Sangh leader, though disinclined to specify the precise shape of the renewed alliance, feels sure that the Amritsar success "will lay firm foundations of a democratic alternative to the ruling Congress". The first step planned in this direction is "a massive agitation" by the two parties to remove the ministry.

Disowning the small faction that has been demanding a Sikh homeland, P S Badal, the opposition leader, said the Amritsar verdict had "closed the matter for ever". The candidate who fought the by-election on this slogan received only 86 out of the 48,200 votes polled. Badal also pointed out that the Congress bid to exploit this separatist demand to discredit the Akalis had misfired. The disclaimer is evidently designed to shield the Jan Sangh from critics who question the party's bonafides by pointing to its close association with the Akalis. However, the revival of the Akali-Jan Sangh front may herald a new phase in Punjab's stale and stagnant politics.

Himachal Pradesh's 1974-75 budget, presented on March 25, marks the end of the long tax-holiday which this small entity has enjoyed since its establishment. The sizeable budgetary gap (in 1972-73 it was Rs 6.10 crores and in 1973-74 Rs 9.98 crores) has all along been bridged through massive Central subventions. Even when Himachal became a full-fledged state on January 25, 1971, financial viability was nowhere in sight, though by referring to several untapped resources and claiming a substantial share from Bhakra power generation as royalties, etc, the state government sought to establish its claim of financial viability. This year's balanced budget is, therefore, a refreshing change.

The Sixth Finance Commission has been instrumental in enabling Himachal Pradesh to fulfil its aim of becoming largely independent of Central assistance. But for the Commission's largesse — the statutory grants have been stepped up from Rs 8 crores to Rs 32 crores — the state's financial transformation could not have been possible. The Commission has, in fact, been over-generous; it has allowed an additional Rs 1 crore annually for giving enhanced emoluments over and above last year's level. On the capital account also, only a small gap has been left uncovered, much less than the quantum of market borrowings considered appropriate by the Planning Commission for this small state. The net result is that extraordinary and unforeseen expenditure necessitated by natural calamities apart, there should be no uncovered gaps in the state's non-Plan resources for the next five years — a truly remarkable improvement.

The additional tax effort which the Planning Commission expects of Himachal in view of its limited capacity to raise resources is only Rs 15 crores over the next five-year period. This year's tax package is estimated to yield Rs 2.60 crores. The Chief Minister has promised that if the present calculation of netting Rs 14 to Rs 15 crores through these taxes materialises, as is quite likely considering the natural buoyancy of revenues, the people would be spared further imposts. Apart from the usual levies resorted to in other states — higher sales tax, especially on luxury goods, enhanced bus fares and higher duty on liquor — a notable levy is on agricultural holdings with a rateable income of Rs 6,000 a year.

ECONOMISTS

Blind Man's Buff

THE proceedings of the two-day annual meeting of the Business Economists' Group in Bombay last month were akin to the labours of some 50 blind men trying to describe the proverbial elephant. The similarity was most in evidence in the discussion (presumably organised to mark the 250th anniversary of the birth of Adam Smith) of the role of the 'liberal economist'. The liberal economist was described variously as one who believed that both public and private sectors should be allowed to operate side-by-side and accepted planning as a desirable tool for accelerating development (C Rangarajan); as one who agreed to state intervention only when it was considered to be unavoidable and was thought to be effective in attaining desired economic goals (H Ezekiel); as one who considered as the primary objective the achievement of everyone's right to a job and a minimum standard of living (P B Medhora). It was also suggested somewhat haughtily that the function of the economist was to evaluate alternative ways of attaining any given objective and that he should not worry if in doing this job he was labelled liberal or non-liberal (S S Marathe).

The game continued in the discussion of the economic prospects in the current year. S Venu opined in his paper that the economy was going in for another bout of inflation, with a price rise of 20 per cent. Output of industrial commodities such as steel, fertilisers, coal, paper and aluminium was not likely to show any increase during the year and, despite expectations of a good harvest, prices of foodgrains were likely to remain high. N Shankar thought that because of the compounding effect of the budget for 1974-75, the price-rise was likely to exceed 20 per cent. He pointed out that the estimates of excise revenue, sbom of rate changes, contained in the budget assumed almost nil growth in industrial production during the year.

F A Mehta saw the economy moving towards a qualitative structural change if a 20 per cent increase in prices was to take place over and above the steep rise last year, simultaneously with a payments gap of around Rs 600 to Rs 700 crores and the related slowdown in the rate of capital formation in the public and private sectors. In his opinion, agricultural production was still the king-pin in the overall growth of the economy and he regretted that there was not enough reliable data on the trends of marketable surplus. In Medhora's view the economy was developing many rigidities: the stickiness of agricultural prices, the dependence of all sectors on the government's policy decisions and the complete lack of autonomous responses to difficulties faced by the economy.

C Rangarajan was of the opinion that it was a fallacy to relate changes in the price level to the money supply; one had to take account of factors such as expectations and desire to hoard to understand the mechanism of inflation. Medhora also stressed the handicap of inadequate information on the extent of commodity hoarding and inventory stock-piling in the economy. In the absence of reliable information on hoarding of commodities, it was not possible to measure the impact of possible cuts in imports necessitated by the balance of payments crisis on the level of production in the economy. The character of demand for credit had undergone a change, according to A C Shah. There was credit hoarding, he pointed out.

The horrifying impact of the oil crisis on the balance of payments of the nation was indicated by T P Subramonian. Petroleum and fertiliser imports together would cost the country around Rs 900 crores and, including other commodities, the total import bill was likely to reach a staggering figure of about Rs 3,800 crores. Assuming that the country was able to export to the extent of Rs 2,700 crores, this still left a payments gap of around Rs 1,100 crores. However, non-trade items in the balance of payments, amounting to Rs 500 crores, would broaden the gap to make it Rs 1,600 crores. Even assuming that oil-credits to the tune of Rs 260 crores were in the pipeline, the economy still faced a gaping hole in the external payments with no prospects of getting additional foreign aid. F A Mehta wondered whether a balance of payments gap of Rs 600 to Rs 700 crores would not have a deflationary effect on the economy. The likely deflationary impact of the deficit would depend on the commodity-composition of exports. Nitin Desai felt that the impact of the oil crisis on the Fifth Plan was not likely to be as drastic as was generally expected mainly because coal could be substituted for fuel oil in a number of industries, thus releasing fuel oil for the fertiliser industry. This would enable the economy to economise on naphtha and produce more of middle distillates.

The discussion on the Draft Fifth Plan focused on the desirability or otherwise of the continuation of the same investment strategy followed in the previous Plans. H Ezekiel maintained that a large part of the available pool of resources would be appropriated by the capital goods industries or the heavy sector with a low employment generating capacity. Thus the Plan would fail to generate enough employment opportunities. F A Mehta feared that if the Fifth Plan was implemented in full, in terms of the envisaged outlays, the economy would be launched upon the road to hyper-inflation. One of the reasons for this, according to him, was the lengthy gestation period of the sort of strategy envisaged in the Fifth Plan.

In Medhora's view the country was self-sufficient in the production of consumption goods for attaining the minimum subsistence objective set in the Fifth Plan. What was lacked was a proper distribution system. He even wondered why the size of the Plan had to be kept at Rs 53,000 crores. It could be raised to Rs 60,000 crores, even if this meant that the additional outlay of Rs 7,000 crores had to be financed through deficit financing of Rs 1,500 crores or so per annum. This additional expenditure, he suggested, should be devoted to building up social capital.

In defence of the Fifth Plan strategy Nitin Desai argued that producing the additional consumer goods required to meet the basic consumption needs of the population did not need additional investments in the Plan. Desai pointed out with pride that the Fifth Plan contained inter-sectoral consistency exercises, scientific project phasing and fixation of output targets on the basis of feasibility reports of projects. But of what avail is all this if the objectives of providing employment opportunities and a minimum level of living are to be relegated to the background?

Israel and Africa

Rahul Burman

THE isolation of Israel from Black Africa has been one of the more important products of the October war. A year and a half ago, Israel had diplomatic relations with all the members of the Organisation of African Unity, except the eight Arab and/or Muslim countries in the north, and Guinea, which had severed relations after the June war in 1967. Now Israel has diplomatic relations with only four small countries, all almost entirely dependent on South Africa — Malawi, Lesotho, Swaziland and Mauritius.

Israeli exports to Africa, for example, had grown from $ 27.7 million in 1968 to $ 45.1 million in 1972, and its imports from Africa had also shown a steady increase, reaching a level of $ 32 million in 1972. Furthermore, although Israel's trade relations with Africa represented only a small part of Israel's total trade, Africa served as a market for industrial and processed goods which Israel might have had difficulty in selling elsewhere. Israel's major export commodities have been polished diamonds and citrus, whose markets are largely in the industrialised countries. Its most important exports to Africa, however, were chemicals, at the level of $ 10.9 million in 1972, followed by transportation equipment worth $ 6.9 million, and apparel and textiles worth $ 6.4 million. These are export industries which Israel would like to develop, but which face strong competition in other markets.

Israel's four major African markets have been South Africa, Nigeria, Zambia and Ethiopia. It is not clear whether the break in diplomatic relations will mean a lessening of the volume of trade between Israel and the African countries. For instance, after Uganda broke off relations in early 1972, trade levels dropped off significantly, furthering $ 2.4 million decrease in Israeli exports to Africa between 1971 and 1972. Exports to some countries, such as South Africa, diminished since 1971 because of import restrictions. But there is a chance that South Africa might make an exception in the Israeli case, if it finds that Israel is suffering at the hands of Black Africa. Following the 1967 war, South Africa dropped its restrictions on export of currency to permit South African Jews to contribute to Israel. More important perhaps than Israel's economic relationships with Africa, although surely related, have been its military assistance programmes in African countries. For instance, in an interview after he had announced that Zaire was cutting off diplomatic relations with Israel, General Mobutu spoke of the personal difficulty of the decision for him and other members of his ruling group. General Mobutu, trained as a paratrooper by Israeli advisers, added that the diplomatic break should not be conceived of as an end to the friendship.

Ethiopia's Strategic Position

Israel has particular strategic interests in Ethiopia because of the latter's closeness to the straits of Bab-el-Mandeb, the southern opening to the Red Sea. Israel's relationship with Ethiopia has allowed it to have use of naval facilities along the Eritrean coast. Through Ethiopia Israel also aided the secessionist movement in southern Sudan. In the economic field, joint ventures have been set up between the Ethiopian government and Israeli companies. One of Israel's major investments is the Incode meat-packing monopoly in Asmara, the capital of the province of Eritrea.

Important for Israel, Ethiopia is also considered crucial by the US. Between 1964 and 1972 the US gave $ 187.1 million in military grants to Ethiopia, almost seven times as much as to any other African country. The next favourite was Zaire with $ 28.1 million. Only four other African countries — Liberia, Mali, Senegal and Nigeria — received more than $ 1 million each in US military aid during this entire period.

One of the major reasons for US and Israeli aid to the autocratic regime of Emperor Haile Selassie in Ethiopia was to help suppress the Eritrean liberation struggle. An Italian colony from 1899 through the Second World War, and then administered by Britain, Eritrea was joined in federated status to Ethiopia by the Western powers in 1952. In 1962, Haile Selassie annexed Eritrea, eliminating the meagre form of autonomy the area had enjoyed till then. The Eritrean liberation struggle, carried on for years against Italian and then British domination, has since 1952, and particularly since 1962, been directed against the Ethiopian overlords. From 1960 onwards Israel has helped operate Ethiopia's counter-insurgency campaign against the Eritrean liberation movement.

Despite the counter-insurgency — perfected by Israeli experience gathered against the Palestinians in earlier years — the Eritrean Liberation Front (ELF) has liberated large portions of Eritrean territory, and has reportedly carried the struggle into the towns of Eritrea. The threat to Ethiopian power and US domination has never been greater. Near the Eritrean capital of Asmara, the US maintains a military base with over 1,500 American personnel. The Kagnew communications centre staffed by these Americans serves an a monitor for radio broadcasts throughout East Africa and West Asia, and as one of the key centres for the US global military communications system. The ELF in the past has received support from various Arab countries and it has been hinted that one of the reasons for Ethiopia's severing of ties with Israel in support of the Arabs was to minimise or eliminate such Arab support.

In addition to military training and advice, Israel has been deeply involved throughout the continent in many other technical advice programmes. At the end of 1972 it maintained 63 aid programmes in Africa in areas such as fisheries, roads, traffic and ports, hotels and blood-banks. Cameroon had five on-going programmes of which the most important concerned urban youth clubs and pioneer youth agricultural settlements. Dahomey, Ivory Coast, Malawi and Togo had four programmes each, while Liberia and Upper Volta each had three. Other programmes were operating in Botswana, the Central Africa Republic, Gabon, Gambia, Ghana, Lesotho, the Malagasy Republic, Mauritania, Nigeria, Rwanda, Senegal, Sierra Leone, Swaziland, Zaire and Zambia. Of these countries only Malawi, Lesotho and Swaziland still have diplomatic relations with Israel.

In most of these countries Israeli aid has favoured a para-military model for agricultural development inspired by the Israeli experience with the *kibbutzim* as a means of agricultural penetration, and more recently by the *nahalin* set up in the Golan area and along the River Jordan on the West Bank. Furthermore, Israel has encouraged a *moshav* type organisation for agricultural and rural co-operation as an alternative to more collectivist models of Russian or Chinese style. It is not clear whether the break in diplomatic relations between African countries and Israel will mean the end of these programmes of technical aid.

State Bank Chairman's Speech

Need for Effective Rural Intermediaries:

Criticism of Banks answered

Speaking at the Nineteenth Annual General Meeting of the Shareholders held in Madras, on Friday, the 29th March 1974, Shri R K Talwar expressed satisfaction at the progress made by several States in introducing legislative and administrative reforms to simplify the process of giving loans to agriculturists. He stressed the need for intermediaries to canalise the flow of commercial bank assistance and offered the State Bank's full support to the Farmers' Service Societies.

In the small industries sector, the Chairman said, the State Bank's effort was to secure orderly progress for the units financed. Facile lending on the basis of half-baked schemes was fraught with grave peril and would give a set-back to the much desired socio-economic transformation.

Replying to the criticism levelled against banks after the recent credit squeeze, he stated that banks had no option but to emulate the macro-pattern of the Reserve Bank's directive in relation to their own customers.



Shri R K Talwar

Shri Talwar said:

IT gives me great pleasure to welcome you all to the nineteenth Annual General Meeting of the State Bank of India. This is the first opportunity I have had of meeting the shareholders in Madras. It was in 1970 that the Board of Directors felt that it would be useful if these meetings were held in different cities as often as practicable. On the first such occasion we held the meeting at Ahmedabad in 1970 and on the second at Calcutta in 1972.

Working Results

The annual report, including the balance sheet as on the 31st December 1973 and the profit and loss account for 1973 is already in your hands. You will have observed that although there has been a fairly high increase in operating expenses, a more than corresponding increase in income has enabled us to present a marginally better net profit.

Credit Stringency

At this time exactly a year ago, I had occasion to refer to the then prevailing keen competition among banks for advances, flowing from excess liquidity in the banking system. Paradoxically, demand for funds thereafter picked up and the momentum it gained remained unabated even in the traditional May-October slack season. Simultaneously the serious inflationary pressures in the economy began to cause concern. The Reserve Bank acted by clamping a series of credit curbs, notable among them being a progressively higher cash reserve ratio, in three stages, and a quantitative ceiling on the level of credit expansion for the busy season from October 1973 to the end of April 1974.

In December 1973, as the banks proceeded to comply with the Reserve Bank's quantitative ceiling, they faced the most vehement criticism from their customers. The protests from many, if not all, I must acknowledge, were not without force. Bankers could see the Reserve Bank's rationale. They also had sympathy for customers plunged in dire payments difficulties, specially those who had been lured in the days of competition barely a year before, and those who had exercised discipline and caution in drawing funds. Yet, for the banks the choice was small. The sheer novelty of the quantitative ceiling had caught them unawares. Without commenting in any manner on the propriety or otherwise of this macro-approach in our conditions, I think it should be permissible to say that by its very nature it becomes arbitrary, hitting all and sundry alike. Banks might conceivably have tempered its steam-roller effect with a micro-approach, showing consideration for particular cases. Each bank could have estimated its own quantum of expansion in the light of its potential resources, and differentiated between customers genuinely needy and professedly so. Unfortunately, however, the time needed for this vital exercise was just lacking. Many banks in turn, therefore, had to emulate the macro-pattern in relation to their own customers, inviting their wrath and rebuke to boot that they were harsher than necessary, practising a freeze when a mere squeeze was indicated. A misconception also seemed to prevail that banks should have redeployed their funds, i e, recalled advances from some borrowers and passed them on to others higher in the scale of priority, the assumption being that this could be done at short notice. All I can say is that this does not work in practice.

We in State Bank found, perhaps along with other banks, that even before the imposition of the quantitative ceiling, part of our permissible limit of expansion had already slipped from our hands. In our anxiety to redeem the situation we found no alternative but to impose a rule of thumb restriction on drawals against sanctioned credit limits. At the same time, conscious of our responsibility to keep the wheels of industry and commerce moving without detriment to the credit policy, we proceeded to call for cash budgets from all our major borrowing customers with a view to appraising the irreducible minimum credit need of each up to the end of April 1974. Unfortunately, not many responded in the first place, and the response of those who did was halting. Many of the cash budgets received failed to prove the claims made that they represented the irreducible minimum needs. The degree of co-operation sought by us was not forthcoming. We are still doing our best in the way of a selective (or micro) approach, but I think it is pertinent to repeat the warning I have sounded at other forums, even in days of plenitude of funds, that temporary swings apart, credit stringency has come to stay and larger borrowers might do well to so plan their financial structure as to progressively reduce their reliance on the banking system.

Two concessions given to banks and to certain other approved financial institutions, I feel constrained to point out, militate against the spirit of the credit curbs, and extend a special favour to one set of large depositors in the matter of obtaining higher return on short term surpluses. Take the rediscounting of bills with these institutions. Even when covering the sale or purchase of sensitive commodities, banks can offer such bills to financial institutions with impunity. The funds which the banking system thus obtains are the same as they would have had even otherwise in the shape of deposits, and advances from these would in that case have been subject to selective credit control. Another instance is that of participation certificates; here too, the funds obtained by banks from financial institutions steer clear of the discipline imposed on regular bank deposits. While a bank may lend not more than 60 out of every 100 rupees of its deposits, it remains unhampered in lending the entire amount of Rs 100 derived through participation certificates.

The net effect of the cited transactions thus merits close scrutiny.

Inter-Bank Money Market

In respect of banks' resources, one point for consideration relates to the roundabout and expensive accrual of funds which should have flowed directly to them and at normal cost. The surpluses of the Life Insurance Corporation and the Unit Trust awaiting investment used to be available to the banking system as deposits. But a sizeable chunk of these surpluses got diverted in 1970 when the monetary authorities permitted them to operate in the inter-bank call money market. The point I made then seems more valid now. The gains accruing to Life Insurance Corporation and Unit Trust from the call money market are in the nature of a windfall from a special concession at the expense of the banks. I would not have objected to the two institutions participating in the inter-bank money market if they had taken the rough with the smooth, as banks do. I feel sorry that I am forced to revert to this point, but three years' experience has shown that they have been perpetual lenders and I wonder whether they have borrowed even once. To permit intrusion by outsiders for the purpose of skimming the cream amounts to preferential treatment. There can be no question but that they are large depositors given a benefit denied to other depositors.

Small-Scale Industries

As you are aware, we have been operating our liberalised scheme of assistance to small-scale industries with a fair degree of success for well over a decade now. Apart from several modifications made to this scheme, new schemes such as the "Enterpreneur Scheme" have also been evolved. A significant step we took last year in this field, namely the restructuring of interest rates, reflected our concern for the smaller of the small-scale units. Small units with total limits of less than Rs 10,000/- are now charged interest at 7 per cent. The rates are progressively higher as limits rise, the highest rate being 10% per cent.

The application of this reform in itself brought into relief the variety in size, sophistication, profitability and growth potential of small units, bringing home the lesson that the same set of policies and attitudes may not be appropriate for the whole gamut. I do not think that the larger units require the same kind of nursing as the small ones which suffer from certain handicaps in their struggle for viability. As the units grow, they should reconcile themselves to stiffer discipline and normal cost of borrowing. We, therefore, propose to review all cases of small industrial borrowers enjoying limits of over Rs 10 lakhs to see whether the financial structure of each is appropriate to its scale and nature of operations. It is by no means being suggested that these units would be denied need-based assistance, but the intention is that they should be subject to better discipline which is inescapable from the point of view of their transition to the medium of large-scale sector.

In the process of financial restructuring, we are in a position to offer comprehensive advisory services through our Merchant Banking Division. We have identified some units as needing such assistance but their response to our efforts to assist them has been disappointing. I would like to take this opportunity to reiterate to these clients that our eye is not on the immediate future. We are interested in their progress in the long run.

As for the Entrepreneur Scheme, from the experience of the past 4/5 years we had found that interest cost was indeed a burden for this class of borrowers, excepting a few engaged in highly profitable lines. In the context of our objective of nurturing the growth of entrepreneurship, we realised that these units required special support. It was for this consideration that we decided to reduce the interest rate to a flat 8½ per cent for the first three years. The Reserve Bank's directive prescribing a minimum rate of 11 per cent on advances with aggregate limits of over Rs 2 lakhs has, in my view, hurt these borrowers. Quite a few entrepreneurs have exceeded this limit for their borrowings and yet I feel they continue to merit special consideration.

Our effort in the small scale sector, I need hardly say, is to secure orderly progress for the units financed so that they may become models for others to emulate. Facile lending by banks on the basis of half-baked schemes might perhaps show them in better statistical light as far as creation of job opportunities is concerned. Such a course, however, is fraught with grave peril. Ultimately, small scale units have to stand on their own legs, and their failure to do so will lead to frustration giving a set-back to the much desired socio-economic transformation.

Agricultural Finance

On previous occasions I had referred to the legal disabilities facing commercial banks in the field of agricultural finance and urged State Governments to remove them. I had also expressed concern over their lack of appreciation of the role of commercial banks. I am happy to record that since then, the response of several State Governments to our pleas has indeed been heartening. Many states have made satisfactory progress in introducing legislative and administrative reforms to simplify the process of giving loans to agriculturists. They have also been helpful in making available the services of technical staff for work connected with loan appraisal, follow-up and supervision. The favourable climate created by these steps should help us in planning a more vigorous effort in agricultural finance.

I had mentioned three years ago our plan to open, over a period of time, about 150 special branches in various parts of the country to promote agricultural development. This has been done.

Most of our Agricultural Development Branches are situated in areas covered by development schemes for small farmers, marginal farmers and landless-labourers; others being in areas where schemes such as multiple cropping programmes or tribal development schemes are in operation. Our loaning programmes at these branches are preponderantly in support of small farmers. Credit disbursement follows the formulation of specific schemes covering minor irrigation, land development, storage and processing, and ancillary activities such as dairy and poultry — in short, all aspects required to make agriculture a viable business occupation.

The induction of commercial banks into direct agricultural finance was meant to supplement the efforts of the other agencies in the field, particularly the co-operative banks and societies. It is common knowledge that there are severe limitations to widespread expansion of agricultural credit through commercial bank offices. At the same time, we are deeply conscious of a sense of void at the lack of our presence in each village. All this brings home to us, in sharp relief, the need for effective intermediaries to canalise the flow of commercial bank assistance.

The importance of such institutional framework lies, first of all, in reaching the villages themselves, particularly those where the prospect of banks' entry is remote, and in evolving locally any plans of economic uplift. It is then that finance for agriculture will become fruitful. This is why we would like to see the primary societies gaining in strength in terms of coverage of households and viability, with the aid of the financial and managerial resources of the commercial banks. As each society grows, it could emerge as a multipurpose agency, not only meeting the diverse needs of agriculture but also those of village industries, artisans and others in gainful economic pursuits. I believe that this agency can thereafter be helped to become the hub of the village, providing the basic organisational unit for initiating and implementing any form of economic or social development.

I am glad that an increasing number of State Governments have accepted this point and have decided not to stand in the way of linking primary co-operative credit societies with commercial banks. Many hurdles still remain to be crossed in the process of establishing this relationship and, where this relationship prevails, developing it on sound, healthy and stable lines. It is our responsibility to demonstrate in the chosen areas that the tie-up of primary co-operative societies with commercial banks is not only mutually beneficial, but will benefit the people whom both institutions strive to serve.

For the purpose of routing commercial bank finance, the Farmers' Service Societies that are being launched on an experimental basis in certain parts of the country will be another important vehicle. I fully support the concept and we are prepared to collaborate in all possible ways with any well conceived venture in the form of such societies. I have earlier expressed the view, which bears repetition, that these agencies will need effective local participation and leadership. We look to the State Governments which have opted for this experiment, to help bring this about. For our part, short of ourselves creating or sponsoring such agencies, we would be only too happy to associate ourselves even in designing their financial organisational and administrative structure so that we can work with these societies in close harmony.

International Banking

In the area of international banking, the diversification of the business operations of our London Office has now come to stay. With a view to increasing our deposit resources in London, one more branch was opened last year and we have plans to open two more this year. The business of our New York office was further stabilised and we have a proposal to establish an offshore branch at Nassau to support our New York and other overseas operations. Much of the preliminary work connected with opening of our branches at Frankfurt and Dacca has been completed and we hope to commence operations at these centres before long.

We have given considerable thought to our overseas expansion in the context of the growing volume of the country's foreign trade and, more particularly, as a measure to support our export effort. Branches in the major cities of the world are quite costly and more so in the wake of spiralling inflation. We will need specially trained staff to man them. It is also not as though our objectives in international banking can be met by having a few offices in isolated pockets serving some specific purpose or the other. We will have to frame a co-ordinated plan with a well established order of priorities. For example, worthwhile opportunities are opening up for Indian industrialists for exporting complete industrial units in the intermediate technology range on a turn-key basis as also supporting consultancy services. Such exporters and other Indian joint ventures abroad require, apart from necessary bank facilities in India, strong banking support at the overseas centres for meeting local costs, arranging remittance of funds, and other bank services for day-to-day transactions. Comprehensive domestic and international banking services could be provided by us if we were established in the importing countries either directly or indirectly. Secondly, regions like the Middle East have emerged as major reservoirs of foreign capital resources. Our presence in such regions can help to attract much needed investment capital for our country. Branches established for such specific purposes will require avenues either for investing their surpluses or for borrowings in the course of their banking operations. This will mean our presence at the key financial centres of the world. It is thus that a network of overseas offices will have to develop more or less simultaneously. We are, therefore, drawing up a three to five-year plan taking into account these factors, the availability of competent staff and the need to take advantage of emerging business potentialities as quickly as possible.

Staff Relations

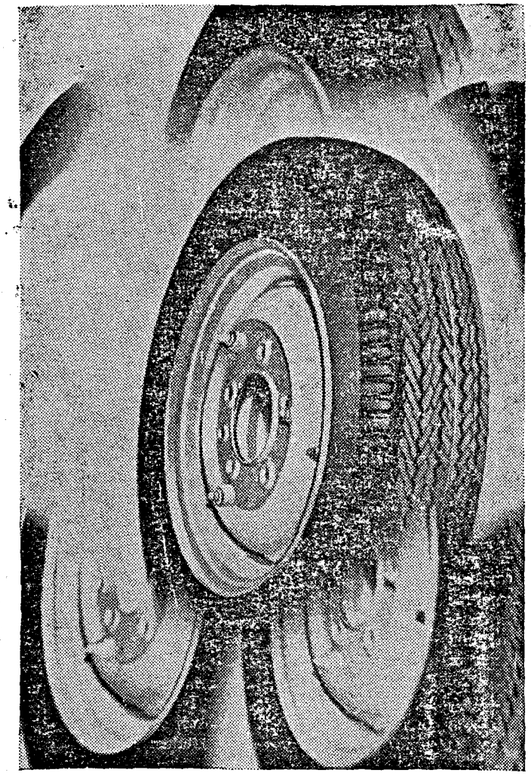
In the field of staff relations, I have described in the past our corporate philosophy based on the conviction that our employees are our greatest resource and it is their individual growth that will perpetuate and nourish this institution's successful functioning. The job enrichment plan we have adopted for this purpose is now being experimented at 18 branches of the Bank.

In our relationship with the staff unions, an important development during the last year was the reiteration of our mutual desire to avoid work stoppages arising from industrial disputes. Differences between management and unions will arise, but we believe that these can be resolved through discussion without causing inconvenience to the public. With this conviction we have set up management-union councils at the Circle and Central Office levels. All matters likely to cause industrial unrest will be discussed at these forums and no party will resort to unilateral action while the matters are under such discussion. There is some evidence to show that this machinery is proving useful. A feeling of mutual trust and confidence has been generated, not merely through talking about it, but by the actions taken by both sides in all things big and small.

Reorganisation and Performance Budgeting

One phase of the total plan of reorganisation, connected with a more rational allocation of functions and responsibilities was completed during the year with the appointment of Deputy Managing Directors at Central Office. Efforts are continuing at stabilising the new executive roles at various levels and these are now integrated with our

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regular training programmes at the State Bank Staff College.

The performance budgeting system introduced in the Bank completed the first full year of operation on a whole-bank basis. The experience has been very rewarding and we are convinced that we are on the right path of improving our methods of business planning and management control.

Change in Directors

The composition of the Central Board and the Local Boards underwent substantial changes during the year. Bhopal and Patna Circles now have representative Local Boards in line with those in the other Circles. I would like to place on record our thanks to all those who have ceased to be on the Boards for their valuable association with us and welcome those who have newly joined us. Shri B D Garware, a senior member of the Central Board long associated with the Bank, has been appointed as Vice-Chairman. We are happy to have his continued guidance and support.

REVIEWS

Enslavement and Pundit Pride

Sudhir Chandra

Historians and Historiography in Modern India edited by S P Sen; Institute of Historical Studies, Calcutta; June 1973; pp xxviii + 464; Rs 80.

"EVERY new entrant to a craft or every practising craftsman should know not only the general principles of the craft but also the actual practices of the mastercraftsmen of the past". This is the editor's justification for collecting 40 papers which attempt to survey the development of historiography in India, from the time of Raja Rajendralal Mitra to that of D D Kosambi and K M Panikkar.

Useful Venture

A useful venture, no doubt. But not significant enough to justify the editorial claim that the contributions made during the first 100 years of historiography in modern India were "not of any lesser importance than those in other countries in the corresponding period of development". The fact is that neither in terms of new ideas of history nor in terms of application of new historical methods has a major breakthrough been achieved by an Indian historian. Modern Indian historiography always remained what it is even today: essentially derivative. Not merely historiography but modern Indian scholarship as such has tended to be conceptually frigid. Undoubtedly, we have perceived a good deal during the last century. But the process of perception itself has rarely received any penetrating treatment from us.

That such a palpably exaggerated claim should have been staked on behalf of modern Indian historiography by someone who is supposed to have studied it in depth is, indeed, symptomatic of the failings of modern Indian historiography. It is symptomatic of a basic unconcern for accuracy of expression — a tendency that operates not only at the level of description but also at the level of investigation. As should be evident, this single defect leads to a total distortion of perspective. Not only is modern Indian historiography unoriginal, in ideas and methodology, but it is alarmingly unwilling to face this fact.

The complexity of the entire process of historical perception seems to have eluded the most eminent of our historians. Thus R C Majumdar, often described as the doyen of Indian historians, complains in the volume under review that "the end of British rule has led to a steady deterioration in that critical method of historical studies which we Indians learnt from our contact with the West during the last half of the nineteenth and the first half of the present century". He feels — and hopes that he may be proved wrong — that "we are gradually losing sight of the fundamental object and principles of writing history and a lot of confusion of ideas has crept in on this subject". But when it comes to defining these ideas, objects and principles, Majumdar makes complete nonsense of logic and reason by pronouncing:

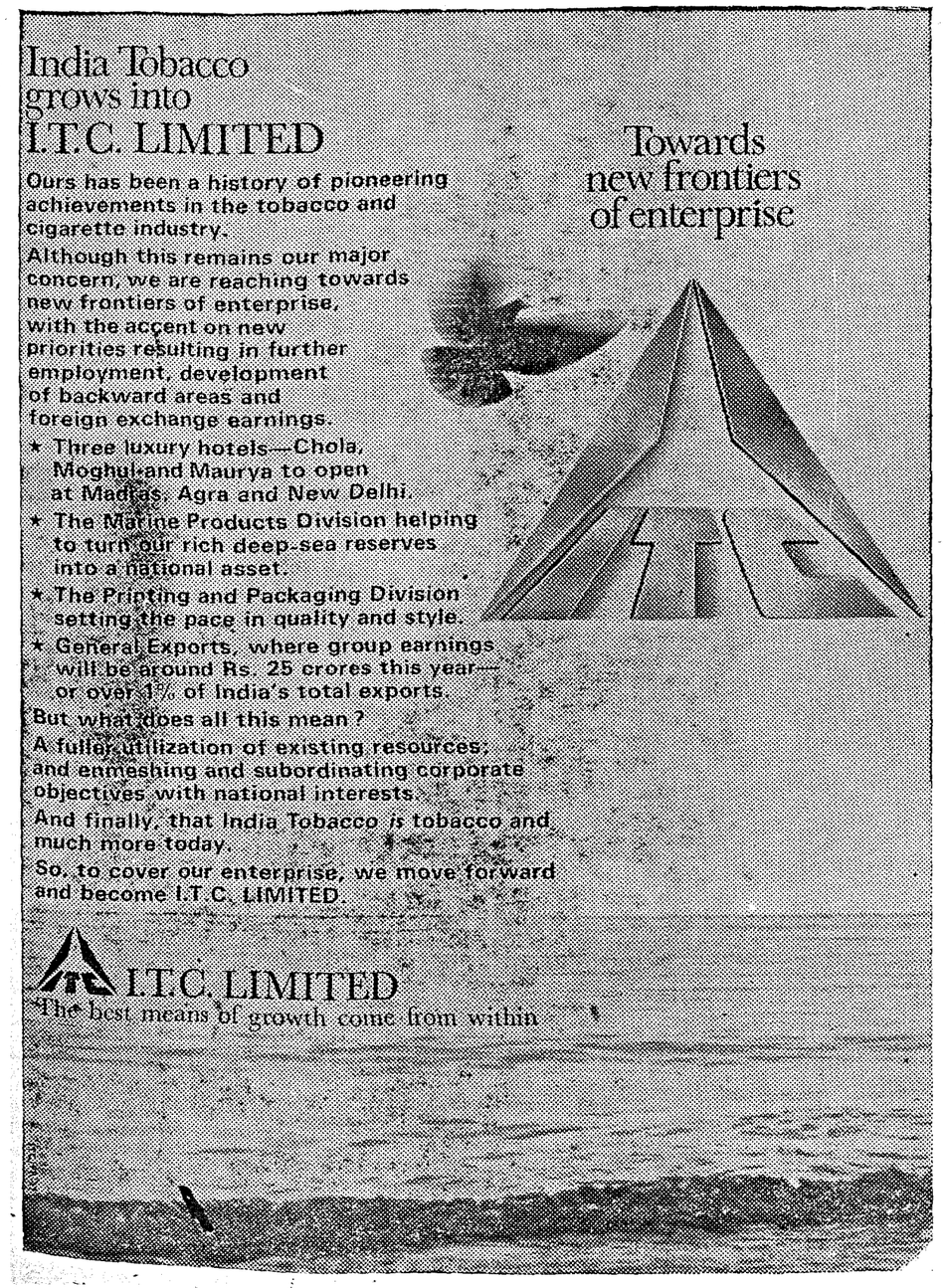
> Moral judgment as well as various inferences are welcome and even necessary, only when the facts are established with a scrupulous regard for truth alone, without any influence of preconceived judgment, and afford sufficient materials for forming a judgment.

Once can only wish that reconciliation between valuational and value-free approaches to history were in practice as easy as Majumdar makes it out to be.

Latest Attempt

History is constantly used to legitimise present efforts. It is invoked with equal avidity by those who want to retain and by those who want to change what exists. Reactionaries, conservatives, reformers, and radicals of all hues seek its sanction. And all of them, interestingly enough, appeal to true, objective history. For years Indian history has been used, among other things, to invest the communalism of the majority community with the aura of nationalism. From the Bharatiya Vidya Bhavan's "History and Culture of the Indian People" to 'Professor' Madhok's "Indianisation", many efforts, varying in the degree of sophistication and crudeness, have been made to secure this end. The latest attempt in this direction, it seems, has come from S P Sen, Director of the Institute of Historical Studies, Calcutta, and editor of the present volume. In fairness to him it may be added that the motivation behind the views enunciated by him may not be sinister, though the presuppositions which yield his conclusions are very similar to those on the basis of which the supposed nationalist character of Hindu historiography rests. This is a serious charge, no doubt. Should Sen's views be even slightly misrepresented in an attempt to summarise them, a longish quotation to illustrate the charge is called for:

> Some motivated criticisms have been raised in recent years against what has been termed as an undue concentration on the ancient (or Hindu) period in the first phase of historical studies in India. The critics contend that this had led to a spirit of Hindu revivalism, creating a split between the Hindus and the Muslims. It is a most unjustified charge, prompted no doubt by a contemporary desire to emphasise the composite character of Indian society and cultural heritage. The critics, however, ignore that in every country when there is a revival of consciousness of national identity, people invariably turn back to what they consider as their Classical Age and seek to derive new inspiration from that heritage. They do not view other periods of their history in the same light. So in India if historical studies in the modern period turned to the Classical Age for inspiration,



there is no justification to call it a deliberate attempt at Hindu revivalism. Nor is there any justification to ignore the palpable fact that for 99.9 per cent of those who follow other religions than Hinduism today the Classical Age is the same as for the Hindus. A change of religion does not alter the fact that the epics, the literature, the philosophy and the entire culture of ancient India constitute the common heritage of all Indians irrespective of their religious differences today.

Exaggerated Defence

Incredible though it may appear, it is not a spurious but a genuine 'Professor' of history who has ascribed unanimity of emotional adherence by Indians to a single 'Classical Age'. Perhaps it is in the fitness of things that, in these days of quantification, Sen should have decided to be so specific in his assertion as to talk of 99.9 per cent of the entire population of India.

It should be clear to any student of modern Indian history that the concentration of early historical scholarship on ancient India was due to a variety of reasons, and that it was productive of a variety of effects including Hindu revivalism. That, instead of analysing the problem in its totality, Sen should have attempted such an exaggerated defence of that early concentration is revealing. Equally revealing is the clear lack of empathy which alone could have emboldened Sen to attribute to Muslims, Parsis, Sikhs, and Christians as also to all Hindus themselves, such involvement with the heritage bequeathed by ancient India.

It is more than merely saddening — as it also has practical import — that, after having been practised for more than 100 years, history-writing in its modern incarnation should have made such a discouraging advance in this country.

A Tautology Has Its Uses ...

Say's Law: An Historical Analysis by Thomas Sowell; Princeton University Press; $ 8.50.

WHAT are called seminal ideas are sometimes the products of serendipity, so much so that greatness seems to have been thrust upon, if not naivete, at least innocence. Perhaps precisely because of that, over time, they begin to mean all things to all men. Say's Law has an apparent straightforwardness in what it conveys. It has nonetheless not been able to escape the fate of periodic obfuscation. Controversies have reared their heads for more than a century now on whether what it says makes sense, and whether what it says, even when it makes sense, does or does not controvert reality. Inevitably, at certain stages of the debate, intellectual predilections and class emotions have tended to converge. Doubts and questions have kept crowding. Even if what Say's Law says is approximately correct, what particular bias does it reveal or conceal? Should not one proceed beyond the Law? What is it, after all? A mere identity, the statement of an obvious, tedious reality? Supply, true, ought to create its own demand, but it does so only under certain conditions. Would these conditions hold good for all times? In case they would not, what emendations must one add to the Law?

Ricardo-Malthus Controversy

A tautology has its uses to make pedants of even otherwise sensible men. Economists in successive decades have attempted to grapple with the inner core of the identity which J B Say, absentmindedly or not, enunciated and that utilitarian, James Mill, took it upon himself to propagate. Interregnums of quiet have been there, but it has never been really left alone. In each generation, aspiring contributors to the corpus of knowledge have gravitated toward the concept, either to defend it or to belabour it. Their purpose has differed, but somehow they have still managed to discover some specific function in the Law. This attractiveness is perhaps the quality which helps a concept to make the transition from run-of-the-mill drabness to classical grandeur. Consider, for example, the famous polemics between Ricardo and Malthus over the issue of gluts: one almost gets the feeling that in case Say's Law were not already born, the occasion would have called for a caesarean birth. 'Demand', argues Ricardo in his famous letter of June 26, 1814 to the parson, "has no other limits but the want of power of paying for the commodities demanded. Everything which tends to diminish production tends to diminish this power." No dichotomy is conceivable in the Ricardian system between aggregate demand and aggregate supply. Malthus's concern over 'effectual' demand appears to Ricardo as an obsession wholly uncalled for. There could be no such phenomenon as excess savings; on the contrary, "the desire of accumulation will occasion demand just as effectually as a desire to consume, it will only change the objects on which the demand will exercise itself". And, further, "we all wish to add to our enjoyments or to our power. Consumption adds to our enjoyments, — accumulation to our power, and they equally promote demand". (Letter to Malthus, September 16, 1814.)

Having thus appropriated, lock, stock and barrel, Say's Law, Ricardo could see little point in idle theories of overproduction. He was willing to concede that now and then a decline in the level of activity could occur but, in such an eventuality, both supply and demand in the community would fall proportionately. Equilibrium, in other words, is equilibrium; its level may shift, but not its basic property: "the demand must essentially depend on the price at which [commodities] can be afforded, and the prices of all commodities must increase if the price of corn be increased". (Letter to Malthus, October 23, 1814.)

Malthus could not differ more. The distinction between *ex ante* and *ex post* phenomena had already begun to cast its shadow. Even if there was the will to consume, the capacity to consume could not expand unless the intensity of demand was raised to the required degree by enlarging purchasing power. It is not enough to argue, as Ricardo does, that the 'value' of an output cannot fall below the 'value' represented by the quantity of labour embodied in it. Accumulation would of course add to the national dividend since the outlay on a certain quantity of labour would, in all circumstances, at least produce its own embodied value. Even so, problems of adjustment remain. Savings, says Malthus, in case carried too far, may impinge on the correct balance between production and consumption; an excess of savings may hamper the formation of 'effectual' demand. In case a country expands the quantum of funds for the upkeep of labour at a rate faster than the increase in population, the growth of the economy, instead of being stimulated by such additional savings, could in fact be checked by the relative inelasticity of labour supply even before the limit of the stationary state is reached. In other words, the savings necessary to maximise social income may turn out to be less than what are required to maintain all the available labour in

'productive' employment. To put it the other way round, in the short run the labour supply may fail to increase sufficiently so as to absorb the additional output of wage-goods; savings directed towards the expansion of the latter could thus result in a glut. The greater the diversion to savings of the surplus income of landlords and capitalists — the surplus income which should in the normal course have been used, through conspicuous consumption, for creating employment and purchasing power —, the greater will be the intensity of the consequential depression.

Gluts Controversy

In the standard histories of economic thought, the Ricardo-Malthus controversy has continued to pre-empt an impressive number of pages, and Say's Law accordingly has held the centre of the stage. Perhaps there has been an excessive airing of the obvious on either side. What still stands out is the explicit introduction by Malthus of the concept of the short term and his emphasis is on the point that, given a finite time-horizon, the adjustment mechanism implied in Say's Law may fail to click. The rest of the excitement, it may well seem at this interval of time, was much ado about nothing: you get out of an identity what you put in it. This sceptical note notwithstanding, Say's Law is likely to survive in the literature, if only as a cliche. As an innocent tautology in a closed system and where the time factor is not brought in the picture, so much so that economic processes are subject to instant adjustments, the Law is infallible. It would belong to that species of abstraction which economists love to expiate upon for their selfish intellectual pleasures. You do not quite believe in the abstraction, but you try to work out what its implications could be in case the assumptions on which it is based were to turn true.

The gluts controversy marked the high noon of Say's Law; the intellectual battle lines were drawn, economists divided themselves, much cerebral energy was expended by the followers of Ricardo and Malthus in defence of their respective positions. John Stuart Mill felt a filial responsibility to refurbish the theory with which his father's name was associated, and, while doing so, to take some cognisance of the Malthusian doubts: "Although he who sells, really sells only to buy, he need not buy at the same moment when he sells; and he does not therefore necessarily add to the *immediate* demand for one commodity when he adds to the supply of another. The buying and selling being now separated, it may very well occur, that there may be, at some given time, a very general inclination to sell with as little delay as possible, accompanied by an equally general inclination to defer all purchases as long as possible." (J S Mill, "Essays on Some Unsettled Questions of Political Economy", London: John W Parker, 1844, p 70.) Here is at least a faint recognition of the possibility of a short-run disequilibrium, but, as he proceeds, Mill is inclined to place most of the liability for this on monetary factors: money may happen to be unevenly distributed over time and over sectors, and thus retard or stimulate demand in particular sectors disproportionately to available supply. There could however be no such thing as a general or permanent excess of production: if some 'process' declines, some other 'process' must rise. One need not worry about the phenomenon of excess savings either, for if the resulting new capital stock were duly distributed among 'many varieties' of employment, demand for the produce stemming from this new capital would be ensured, and there would be no cause "why any part of that produce should remain longer on hand than formerly".

And so it went. Minor bruises were minor bruises; till as long as Keynes did not appear on the scene, Say's Law more or less held its own. The Walrasian Law of General Equilibrium presented a dolled-up version of the Law in a multi-commodity setting. Leontief's mechanistic exercise, the basic frame for which was ready even in the late 1920s, was a reassertion of an enduring faith in the identity. It was left to John Maynard Keynes to resume the siege in his "General Theory", and thus to revive the Malthusian tradition.

Marxist View

Meanwhile, the only discordant note had been struck by the Marxists. Say's Law, that tautology, is an epitome of vulgar economics: it conceals the reality of the economic process. A plague on both your houses, those who advocate Say's Law as well as the Malthusians: the genesis of the capitalist crisis is not in the tendency for chronic gluts, but in the fact that the working class receives too small a portion of its own product. The evil could be remedied by giving them a larger share of the quantity, for example, by raising their wages. In the Marxian schema, the limit to production is set by capitalists' profit. Production comes to a standstill at a point determined by the rate of realisation of profit and not by the criterion of satisfaction of social needs. While Say's Law is sheer fetishism, to explain the capitalist crisis in terms of under-consumption, as Malthus has done, is hardly better — it is sophistry of the most degenerate kind.

The passing of time is a great aid to clarity. It has lent a certain perspective to the issues central to Say's Law when it was first formulated. The distinction between the long and the short runs is now more clearly understood; that there can be a certain lack of proportionality between 'prices' and 'values' of commodities is at present freely admitted; that the Law can have different implications for closed and open economies is also widely recognised. Moreover, now that the controversies are quietened and one is able to analyse the theorem in tranquillity, an extra bonus comes one's way. The neo-classical position notwithstanding, an essential point derivable from the classical model of value is that the process of production is inseparable from that of demand and therefore from the structure of income distribution. This becomes strikingly clear as one reads the correspondence between Ricardo and Malthus, or rummages through the painstaking annotations of Say's Law by John Stuart Mill. That this is the heart of the matter should have been evident even to Keynes as he acted as master of ceremonies for Malthus. Keynes, however, was a congenital anti-socialist, and perhaps did not want to let the cat out of the bag.

Thomas Sowell's "Say's Law" covers the ground for well beyond two hundred pages. It begins with the early development of the Law in James Mill and Ricardo, wades through the pools of doubt raised by Malthus and Simondi, deals in great detail with the general glut controversy and faithfully presents the reformulations to be found in John Stuart Mill. It also has space to refer to the Marxian position and to what the cautious neo-classicals have to say in rebuttal. If one wants to know who said what on the identity and when, Sowell's book would be excellent as a reference. But it is more an annotation than an analysis. It is, in addition, verbose, and faithfully reflects some of the worst features of present-day run-of-the-mill American scholarship. In this one instance, supply, one hopes, will not create its own demand.

Neglected Opportunities in Irrigation

K William Easter

This article considers two different programmes which attempt to improve water use and management in eastern India. One concerns the Hirukud project, which irrigates 282,000 acres in the Sambalpur district of Orissa; the other is in the Raipur district, just west of Sambalpur in Madhya Pradesh. Both projects attempt to improve water use and management of existing irrigation, by installing field channels to give farmers better control over the water in each field.

The two projects represent the two ends of the cost spectrum. The Raipur project is capital intensive and costly relative to the Sambalpur project which consists of a simple system of village field channels installed at minimum cost. This article reports on the internal rates of return from these projects and highlights the importance of technically trained people and alternative project designs in making projects viable.

OVER the centuries, sizeable investments have been made in India to develop the irrigation potential; and these investments have continued during more than the quarter century of independence. By 1968-69, the net irrigated area was 71 million acres or about 21 per cent of the net area sown. The 1968-69 level of irrigation is 17 per cent above the 1960-61 level and 38 per cent greater than in 1950-51. However, there is wide variation in the type and quality of irrigation. Over a third of the irrigation comes from government canals, 17 per cent is from small reservoirs (tanks), 8 per cent from tube-wells, and the remainder from other wells and private canals.

With the advent of high-yielding varieties (HYVs) of wheat and with the increased use of fertiliser, the returns to irrigation increased sharply, leading in turn to rapid expansion of private tube-well irrigation, particularly in north-western India. The more recent spread of HYVs of rice and the continued population pressure, have pushed up the returns to irrigation in many of the high rainfall areas of eastern India. Here, the irrigation is used to supplement rainfall during the wet season (kharif) and to allow production of one or two dry season (rabi) crops.[1]

In eastern India, canal irrigation is dominant, with water flooding from field to field where farmers have little control over the flow of water. Once the water is in the main channel, the outlets are usually never closed; consequently, the water flows continuously through the fields and the water distribution is quite uneven. In fact, water may not always reach those at the end of the service area or at the end of the canal.

Although the future opportunities for building additional reservoirs and for extending canals are limited, one important mode of extending irrigation remains largely untapped. This is the improvement of existing irrigation projects. In 1972, the Irrigation Commission of India reported a large potential for utilising current irrigation potential more fully through installation of field channels [1, p 399]. Don Williams has reported similar findings in his work in India[2].

In this present article two different programmes are considered which attempt to improve water use and management in eastern India. One concerns the Hirakud project, which irrigates 282,000 acres in the Sambalpur district of Orissa; the other is in Raipur district just west of Sambalpur in Madhya Pradesh. Both projects attempt to improve water use and management of existing irrigation, by installing field channels to give farmers better control over the water in each field.

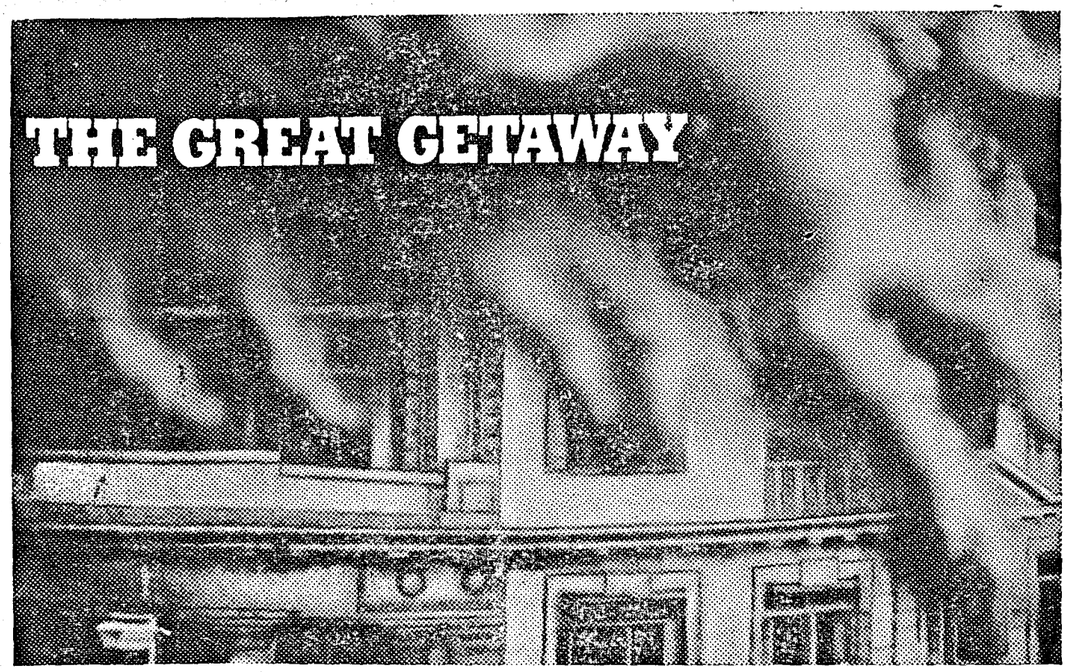
The two projects represent the two ends of the cost spectrum. The Raipur project is capital intensive and costly relative to the Sambalpur project which consists of a simple system of village field channels installed at minimum cost. This article reports on the internal rates of return from these projects, and highlights the importance of technically trained people and alternative project designs in making projects viable.

Project Design

In the case of Sambalpur, the Intensive Agricultural District Programme (IADP) staff introduced a programme for installing field channels and demonstrating their use in two villages. The basic idea was to provide a small unlined channel from the canal outlet along the field levees to each farmer's plot, thus giving each farmer control over the flow of water onto his fields. Placing the channels along the levees minimises the quantity of land taken out of production. Initially, a major extension effort was needed to get the approval of the entire village, because just a few farmers nearer the canal outlets could prevent the installation of the field channels by refusing to allow their passage along or through their fields. When several villages were thus improved, other villages became interested; now village approval is not difficult to obtain.

Once a village agrees to the programme, IADP provides the technical assistance needed to design the complete village system; it also provides the materials (rock, concrete and pipe) needed to instal the field channels. Drop structures are required to prevent erosion in places where there are significant changes in elevation, while pipes are needed under road crossings. The IADP staff also demonstrates the use of HYVs, fertilisers, and pesticides; further, it assists in maintaining the newly constructed village irrigation systems. The villagers contribute the labour for digging and maintaining the channels. At the time of this study in 1971, four village systems had been completed, nine more were in progress, and a number of others were waiting for assistance.

The Raipur project, a co-operative project between the Ford Foundation, IADP, and the State Agricultural College, is much smaller than the average Sambalpur project and involves only 26.6 acres in a small reservoir (tank) irrigated village. It included lining a 2000-foot main channel with bricks and cement as well as 10 feet of each of 10 lateral channels. Unlined field channels were constructed from the 10



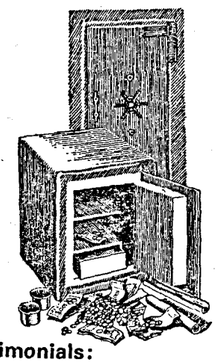
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laterals to each of the farmers' fields within the 26.6-acre project area. Two surface drains, each 2,500-foot long, were constructed to drain the excess water to the main drain, which runs along the eastern boundary.

The Raipur project is far more expensive than the ones in Sambalpur; but it is a more complete system which includes drainage. The Sambalpur projects do not include the lining of any channels, while this is one of the major costs of the Raipur project. The Sambalpur projects represent the lower bounds for the cost of improving a village irrigation system while the Raipur project approaches the effective upper bounds of cost; indeed, had the field channels been lined or land levelling been required, the costs would have been even higher.

Natural Resources

The Raipur and Sambalpur projects are in the rainfall zone, which generally permits the production of a wet-season rice crop. The irrigation water supplements the rainfall and assures the production of a wet-season rice crop, while during the dry season crops cannot be grown without irrigation. When the rainfall is short, adequate water may not be available for the dry season, particularly in Raipur.

For over 10 years, the Sambalpur farms have irrigated two crops of rice each year. Currently, the dry season crop is the more productive: insect damage has cut down on the use of HYVs and has reduced production in the wet season. In contrast, Raipur village is assured of only one rice crop, with a second crop being possible in a limited area every two or three years A small reservoir provides water for the Raipur project village, along with several others; depending on the quantity of water in storage after the first crop, water may also be available for a second crop. However, the criteria used by the Irrigation Department, to determine which villages get the remaining water, are not clear.

The climate is not significantly different in the two areas. Both experience hot, dry, weather from April to June, followed by the monsoon, which brings heavy rains during June to September and sometimes in October. At least 90 per cent of the rainfalls during the monsoon, and it is critical for the wet season crop as well as for filling the reservoirs.

Sambalpur has four types of soils which are determined by the land slope. The upland soil is generally difficult to irrigate and is restricted to crops requiring less water than rice. The two middle-level soils are suited to growing most crops and produce a good rice crop when irrigated. The bottom land has the best rice-growing soil, but with the seepage caused by irrigation it is now restricted almost exclusively to rice production. Within the Raipur project there is only one type of soil and it is suited to growing rice or other crops, such as pulses, millets, or vegetables. In all cases, water is the limiting resource — not soils.

During the survey in the crop year 1970-71, the rainfall was adequate for a good crop of rice in both areas. In addition, enough water was available to irrigate a dry-season rice crop. However, in Raipur, a second crop was not grown in order that the water management project could be started. Only one of the six villages surveyed in Sambalpur experienced a water shortage during the dry season and all villages produced a second rice crop.

Impact of Field Channels

To measure the economic impact of the improved irrigation systems in Sambalpur and Raipur, three surveys were conducted. In Raipur, a complete village survey covered all landowners (with the exception of six absentee landowners) and accounted for 95 per cent of the irrigated land in the village. This survey provides a base against which comparisons can be made once the new irrigation system is in operation in the village. In Sambalpur, three types of villages were surveyed twice (once after each crop season) in order to examine the current impact of the irrigation project and to provide a basis for future study. The three types surveyed were: (1) two villages with field channels and a demonstration (*improved* villages), (2) two villages with the channels being installed (*improving* villages), and (3) two villages which needed to instal channels (*control* villages). The *improved* villages can be compared with the *control* and *improving* villages, to measure the differences in income and input-use resulting from the field channels. Then, in several years, the *improving* villages can be resurveyed to measure their improvement over time due to the field channels.

In the Sambalpur study, a random sample of 195 farms was taken from the six villages so that approximately 20 per cent of the owner cultivators were included from each set of two villages. Each farmer included was interviewed twice, so that the information concerning each crop was still fresh in his mind. The sample was also drawn so that it was representative of small, medium, and large farms.[2] The Raipur study involved the survey of owner-cultivators — 70 in all. Since, in both cases, owner-cultivators accounted for almost all the land cultivated, the results are representative of the villages. However, the sample in Sambalpur was drawn in such a way as to be representative of each set of two villages.

Cost of Improvement

In India, where most of the farm land is privately owned, the improvement from irrigation must be financially attractive to the farmers if it is to be widely adopted. If the cost is too high relative to the returns, the project will not spread. The expansion of tube-well irrigation in northern India is an example of what can happen if profits are high from private irrigation investment [6]. Of course, there are additional problems, associated with improving flood irrigation, which do not plague tube-well irrigation. Foremost among these is the need to organise farmers and provide them with technical assistance. In the case of tube-wells, one individual can make the decision to instal the irrigation facility; but improving a flood irrigation system requires a group decision within one village or among several villages, as well as the support of the Irrigation Department and the agricultural officials. In Sambalpur, both the Irrigation Department and the IADP were involved in providing field channels. The Raipur project had the support of IADP but was not fully supported by the Irrigation Department. In all cases, the villages fully supported the projects.

The cost difference between the two projects is striking, with the Raipur project costing 26 times as much per acre as the projects in Sambalpur. The total cost of the Raipur project was Rs 24,000 — only Rs 1,000 less than an average Sambalpur project which covered about 750 acres. The pilot nature of the Raipur project, and the fact that it is a complete irrigation system with drainage, explain some of the differences. For the Sambalpur projects, costs were held to a minimum in the hope that drainage and the lining of some channels could be done at a later date, once the benefits from the field channels had been experienced by the farmers.[3]

The Sambalpur IADP divides improvement of irrigation into three stages: (1) approach and survey of interested



villages, (2) installing field channels and (3) repair and maintenance of the field channels. Once the village has been selected, the IADP water management staff starts to plan the field channel system from each canal outlet. The size of the village determines the number of outlets to be installed, as each outlet is capable of supplying water to irrigate 25 acres or more. The IADP staff works with the farmers in deciding the location of the field channels and helps install the necessary structures. The cultivators are required to dig the channels, which are generally one foot deep, one and one-third feet wide at the base, and two feet wide at the top. Every year, the field channels need repair while the land is being prepared for planting — at an estimated average cost of about Rs 6 per acre. On many of the smaller farms, the labour for channel repair and maintenance appears to have a low opportunity cost. Thus the above estimate based on average wage rates may be high.

The original cost estimate for installing the improved irrigation in Raipur was Rs 27,000, while the actual expenditure for constructing the main channel, the 10 lateral channels, and the two surface drains was Rs 22,000 [3]. Although this was partly a training project, Rs 2,000 should be added for technical assistance and for installing the field channels. The maintenance cost should be about Rs 5 per acre, which is slightly lower than the cost in Sambalpur because the lateral channels are partly lined in Raipur and should require less maintenance.

Another striking difference between the two projects, besides the cost per acre, is the capital labour ratios (see Table 1). The Sambalpur approach is less demanding of non-labour inputs, particularly capital. Slightly less than 30 per cent of the Sambalpur project costs are construction materials as compared to over 62 per cent for construction materials in Raipur.

TABLE 1: COST OF IMPROVING IRRIGATION

	Sambalpur	Raipur
	Rupees/acre	
Construction materials	10	564
Labour	6	225
Technical assistance	18	75
Other	—	38
Total	34	902

BENEFITS FROM IMPROVEMENT

Currently, the only measure of benefits from field channels is a comparison between the Sambalpur villages, since the construction of the Raipur project was just started at the time of the survey. Both the *control* villages and the *improving* villages provide a base against which the *improved* villages can be compared. Yields, input use, proportion of high-yielding varieties, cropping intensity, area irrigated, and net returns, all give an indication of the impact of the field channels on the village crop economy.

Installation of field channels could increase the area irrigated and the cropping intensity within the village by improving the efficiency of water use through reduced over-irrigation and reduced wastage of water near the outlet. Better control over the quantity of water applied would allow changes in the cropping patterns and improve the timeliness of irrigation as well as other farming operations. Better control could, moreover, increase the use of nitrogen fertiliser by reducing the amount lost in the flooding. Under the field-to-field irrigation system, all but the uplands must be planted under rice or face the problem of flooding. The more efficient application of water, by improving production possibilities, could increase the returns from using HYVs fertiliser, and other inputs. Both the adoption of relatively more labour-intensive crops and higher cropping intensity would increase the opportunities for employment in agricultural occupations. In addition, the construction and maintenance of the field channels would increase labour requirements.

A note of caution should be observed in this comparative analysis. There are always subtle differences among villages, which cannot be controlled. These differences, such as better leadership, can equip one village far better for economic improvement than the other. Thus, some of the changes observed in the *improved* villages may be due to uncontrolled variables which are not duplicated in other villages and cannot be attributed to the field channels. However, adoption rates before and after the installation of field channels indicate that the villages had very similar potentials.

Based on the limited amount of historical data collected for the *improved* villages, the cropping intensity and irrigated area did increase after the field channels were installed. The proportion of the village cropland irrigated increased from 84 per cent to 97 per cent, while cropping intensity rose from 187 per cent to 196 per cent. The irrigated area in the *control* and *improving* villages was only 84 per cent and 75 per cent, respectively, while cropping intensities were 185 and 157 per cent.

The proportion of rice grown is not significantly different among the villages, except for the *improving* villages during the dry season (see Table 2). But the acreage of high-yielding varieties is significantly greater in the *improved* villages during the dry season, 72 per cent as compared to 54 and 41 per cent. This is very important, because the average yields of HYVs are 5.2 and 5.5 quintals per acre more than the local varieties[4] (see Table 3).

Even within seasons, and by varieties, the *improved* villages have higher rice yields. During the wet season the yield difference ranges between 3 and 5 quintals an acre, while in the dry season the difference is between 2.9 and 3.5 quintals per acre for local varieties, and 2.6 and 3.2 quintals per acre for high-yielding varieties.[5]

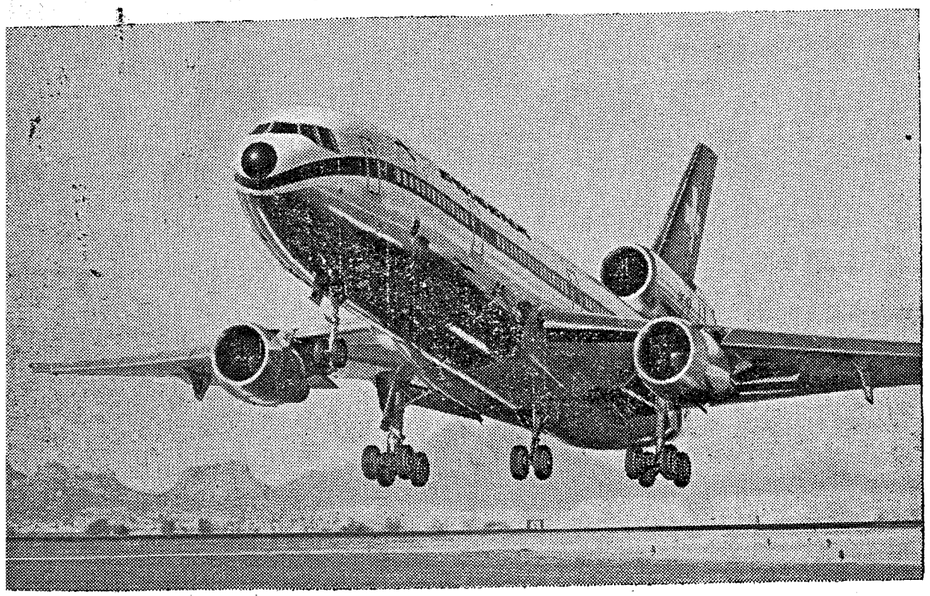
As would be expected, the use of purchased inputs is also higher for the *improved* villages. The difference in fertiliser applied per acre is between 5 and 11 kg per acre during the wet season, and this increases to between 12 and 17 kg per acre in the dry season for local varieties and to 14 to 18 kg per acre for the higher-yielding varieties (see Table 4). In terms of percentage increases in fertiliser use on local varieties, the largest increase — of 33 to 55 per cent — came during the dry season, followed by the wet season — 17 to 46 per cent. Although the absolute increase is the greatest on the high-yielding varieties, the percentage increase is only 21 to 28 per cent.

The other major annually purchased input — *viz*, plant protection materials — exhibited similar differences in use. The big difference occurs on the high-yielding varieties during the dry season, where the *improved* villages used slightly over twice as much (see Table 5). There is no difference for local varieties in the dry season; but during the wet season the *improved* villages again use about twice as much.

In addition, the *improved* villages employed 80 per cent more credit than the other villages, with 70 per cent of this difference being accounted for by two large farmers who borrowed a total of Rs 41,000 to purchase tractors. Much of the remaining credit

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TABLE 2: DISTRIBUTION OF CROPS BY SEASON, 1970-71*

	Local Rice Varieties	High-Yielding Rice Varieties	Other Crops**
	(Percentages)		
Wet Season			
Improved villages	92	5	3
Control villages	94	1	4
Improving villages	90	6	4
Dry Season			
Improved villages	27	72	1
Control villages	44	54	2
Improving villages	48	41	10

Notes: * Percentages may not add to 100 per cent due to rounding.
** Other crops included wheat, pulses, oilseeds and vegetable crops.

TABLE 3: RICE YIELDS BY SEASON AND RICE VARIETY, 1970-71

	Improved Villages	Control Villages	Improving Villages
	(quintals per acre)		
Wet season local varieties	10.0	7.1	5.1
Dry season local varieties	13.7	10.2	10.8
Dry season HYVs	18.9	15.7	16.3

went for fertiliser and labour with smaller amounts going for plant protection materials and seed. Almost two-thirds of all the credit went for fertiliser while non-agricultural uses accounted for only 3 per cent of the total.[6]

INTERNAL RATE OF RETURNS

If these differences in high-yielding varieties, yields, and input use, are translated into costs and returns, the improved villages have significantly greater net returns for both seasons. The net returns for the year were Rs 300-350 higher in the *improved* villages than in the *improving* and *control* villages.[7] With the costs as low as they are in the Sambalpur project, it is not critical whether the net returns per acre are Rs 100 or Rs 300. In either case, the internal rates of return are very high and exceed the rates on most other agricultural investments. Only 10 to 15 per cent of the difference in net returns during one year is needed to cover project costs.

In contrast, even if the same types of benefits occur in Raipur, the amount of the net returns stream is very critical. Assuming a 10-year project life, the net benefits per acre must exceed Rs 150 per year for the internal rate of return to reach 10 per cent, while the internal rate of return will be 17 per cent if the annual net benefits are Rs 200 per acre. Although the Sambalpur experience might be transferred to Raipur for the wet season, the same is not true for the dry season. Even with the improved irrigation system, water would be available for dry season irrigation only every second or third year. Thus, annual net returns of Rs 200-250 per acre are probably the upper limits for the Raipur project. For acres with only a wet-season crop, the annual returns, based on the Sambalpur analysis, would be in the range of Rs 140-150 per acre.

This suggests the need for a less capital-intensive project than the Raipur project. If costs were cut by half, by increasing the area served by the main channel, and if benefits were Rs 150 per acre, the internal rate of return would be almost 30 per cent.

PROSPECTS FOR IMPROVEMENTS

The two studies in eastern India point out very forcefully the possibilities for high returns from improving many of the existing flood irrigation systems in India. Several problems are also apparent. One is the technical assistance restraint, which limits the Sambalpur programme to only nine villages a year. At this rate, it will be at least 40 years before all the irrigated villages in Sambalpur District can be reached by the programme. Farmers themselves cannot do the necessary engineering and surveying work to design even the simple Sambalpur irrigation system. Currently, in India, there are unemployed engineers, but most of them neither have the desire nor are trained to do this type of irrigation work. In addition, except in a few cases such as the ones mentioned above, programmes are not available on the shelf to employ engineers to design improved irrigation systems. Thus, India could benefit greatly from: first, increasing the number of technicians who can design and maintain village irrigation systems; and second, creating the positions and employing the technicians in irrigating rural areas.

A further problem is the need for some new institutional arrangements, within villages, for maintenance of the new irrigation systems. This will be particularly critical in India, where low levels of farm income do not leave much for maintenance of irrigation systems. An improved means of allocating water among the villages is also needed. Many of the villages in Sambalpur, near the head of the main canal, waste water even as those near the end are able to irrigate only half their land during the dry season. Water charges are based on a farmer's acreage, so excess water does not cost the farmer any extra. Pricing of water on the volume used, and a better policing of actual water-use, would greatly improve the efficiency of on-farm water-use. In fact, it might encourage villages to devise better ways of distributing water both within and among the villages.

Due to the cost and difficulty of measuring the volume of water delivered to each farmer, the village could be used as the point of measurement. The government would set the charge per volume of water used, but the individual farmer would still pay a rate based on the acres irrigated. The rate would vary, however, depending on the amount of irrigated acres in the village and the volume delivered to the village. Thus the more efficiently the village farmers use water, the smaller would be the charge per acre. This, or some variant, should at least be tried to see if economic incentives working through the village could improve water use.

Although nothing conclusive can be said about the optimum type of village irrigation, several important conclusions may be drawn from the projects reviewed.

First, the Sambalpur programme should now include drainage as a key element in the irrigation system. The farmers clearly understand the benefits from the field channel, and it is time to provide a more complete irrigation system.

Second, the farmers should pay the full cost of installing the field channels, since their increased returns cover costs in the first year.

Finally, the Raipur project points out

TABLE 4: FERTILISER USE BY SEASON AND RICE VARIETY, 1970-71

	Improved Villages	Control Villages	Improving Villages
	(kg per acre)		
Wet season local varieties	35	30	24
Dry season local varieties	38	36	31
Dry season HYVs	82	64	68

TABLE 5: PLANT PROTECTION EXPENDITURES BY SEASON AND RICE VARIETY, 1970-71

	Improved Villages	Control Villages	Improving Villages
	(rupees per acre)		
Wet season local varieties	6	4	2
Dry season local varieties	2	2	2
Dry season HYVs	15	7	7

the danger of building a project which is too capital-intensive and too costly. One must always keep in mind that, for these projects to spread, the costs must be low enough to afford high net returns to the farmers, and if the construction and maintenance are labour intensive, the farmers' actual rupee expenditures will be low. The expansion and interest in the Sambalpur programme is a clear indication of what is possible.

[The author would like to thank all those who reviewed this article, including Robert Reeser, G Levine; J Kampen, Willard Cochrane, and particularly Martin Abel, who originally encouraged me to write the article.]

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Notes

1 The wet season is the monsoon or kharif season which starts in June and ends in December. The dry season is the winter or rabi season which runs from January to May.

2 The farm size was based on land holdings which included land rented in but excluded land rented out. The different size categories are as follows:
Small farms
3.5 acres and under
Medium farms
3.6 acres to 7.5 acres
Large farms
above 7 5 acres

3 The field channels have also improved the surface drainage during the wet season. However, a complete drainage system including some main drainage outlets could add between rupees 10 and 100 per acre to the project costs.

4 One quintal equals 100 kilograms or 4.9 bushels of rough rice.

5 Not enough high-yielding varieties were grown during the wet season to provide a valid comparison.

6 This is quite different from the Raipur village, where 20 per cent of the total credit went for non-agricultural uses and 27 per cent for fertiliser.

7 The net returns do not include anything for the additional acreage irrigated in the *improved* villages. Therefore, the net return may understate the total village returns.

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The Credit Authorisation Scheme

Some Problem Areas in Its Implementation

B G Shah

This paper seeks to define and discuss some of the problem areas in the effective implementation of the Credit Authorisation Scheme operated by the Reserve Bank of India. These are :

(a) effective communication of the objectives of the scheme to the borrower groups;
(b) delays in decision-making on loan proposals submitted under the scheme;
(c) development of an acceptable standard or basis for determining genuine working capital requirements of the borrowers; and
(d) evolving a follow-up system that will effectively accomplish the objectives of the scheme.

THE Reserve Bank of India took the first major step towards bringing credit activities of banks in alignment with planning policies when it introduced the credit authorisation scheme[1] in November 1965. Under the scheme, scheduled banks are directed to obtain prior authorisation of Reserve Bank before sanctioning any fresh credit limit(s) of (or additional credit limit(s) that will increase the total limit to) Rs 1 crore or above to a single party.[2] In respect of certain categories of borrowers and types of credit, prior approval of the Reserve Bank is not necessary.[3, 3a] On June 30, 1970 the Reserve Bank introduced, as an integral part of its credit authorisation scheme, a set of *pro forma* statements.[4] Borrowers applying under the scheme are required to furnish their financial data on these forms. These forms are designed "to place the credit appraisal in banks on an organised footing and introduce a measure of financial discipline on borrowers."[5] Introduction of these forms, therefore, marks an important development in the scheme insofar as its original objective of "aligning bank credit with planned priorities" came to be broadened to include the two collateral objectives of: (1) improving evaluation of loan proposals in banks, and (2) relate the quantum and duration of credit to carefully assessed genuine working capital requirements. These objectives are unexceptionable, and should be acceptable both to bankers and borrowers. However, the Reserve Bank has been experiencing some resistance to the scheme as modified in June 1970. This paper attempts to define and discuss some of the problem areas in its effective implementation. Four problem areas can be identified. These are : (1) effective communication of the objectives of the scheme to the borrower groups; (2) delays in decision-making on loan proposals submitted under the scheme; (3) development of an acceptable standard or basis for determining genuine working capital requirements of the borrowers; and (4) evolving a follow-up system that will effectively accomplish the objectives of the scheme.

EFFECTIVE COMMUNICATION OF OBJECTIVE

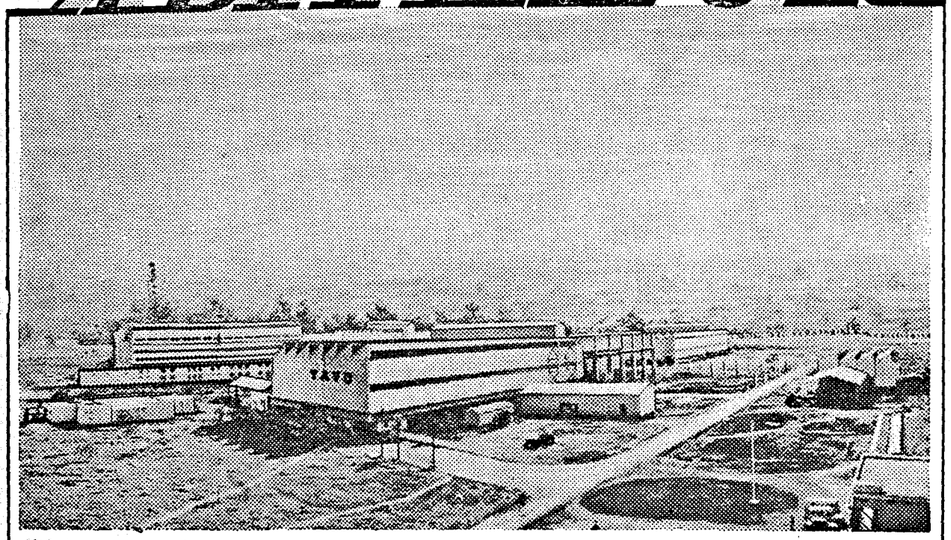
As stated earlier, the principal objective of the scheme, as modified in June 1970, is to provide a mechanism for proper dispersal and use of bank credit. This aspect of the credit policy has also been emphasised in the numerous official pronouncements that no credit will be denied to any sector for productive purposes or planned growth. What is it, then, that explains the borrowers' resistance to the scheme? It is explained, to some extent, by the borrowers perception that the scheme will impose on them an unwarranted degree of financial discipline in raising funds for their productive operations and planned growth? To quote :

> "Although the discipline sought to be imposed by calling for full information (on the *pro forma* statements) may not be appreciated by the borrowers, and possibly might even be resented by them, it would be in the interest of the banking system that steps be taken in this direction so that credit appraisal may be placed on a more organised footing." (RBI Circular DBOD No CAS 952/C 446-70 dated June 30, 1970)

This raises a doubt if the objectives of the appraisal drill prescribed under the scheme are effectively communicated to the bankers/borrowers groups. It is conceivable that the timing of the introduction of the *pro forma* statements has, to some extent, contributed to such a perceptual block to the objectives of the scheme. Several major banking developments took place in the period between November 1965, when the scheme was originally introduced, and June 1970 when the *pro forma* statements were introduced as an integral part of the scheme. Social control was introduced in 1968 with "the main objectives of achieving a wider spread of bank credit, preventing its misuse, and directing a larger volume of credit to flow to priority sector".[6] Social control also involved severance of big business from the boards of banks. Later, in July 1969, banks were nationalised primarily with a view to making the banking system an effective instrument of economic development. Much more relevant to our discussion is the publication of the Dehejia Committee Report[7] in September 1969. This report pointed to the widespread practice of unauthorised diversion of working funds to non-current uses, double financing of inventories and making no distinction between the core and temporary components of working capital in the absence of any fixed repayment schedule under the cash credit system of lending. The *pro forma* statements introduced in June 1970 are designed to control and correct some of these and other undesirable practices.[8] It is quite conceivable, therefore, that borrowers have come to regard the scheme as intended to squeeze out 'inflated credit' so far availed of by them.

How is this barrier to the communication of the scheme's objectives to the borrowers to be broken? One effective way would be to organise a series of banker-borrower seminars at different places for a free and frank discussion of the scheme. If properly organised, these seminars can be extremely helpful in explaining the policy guidelines followed in appraising proposals, promoting a better appreciation of mutual difficulties with regard to the operational aspects of the scheme, and in building a mutually trustworthy relationship between banks and borrowers.[9] These benefits can be especially derived if the discussions at such seminars are based on case-studies depicting real-life situations, showing how decisions under the scheme have resulted in provision of adequate credit

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to borrowers at the same time as they are required to set their 'financial houses' in order. Such case studies are a powerful means of demonstrating the operational content of the scheme and breaking the perceptual block to a real understanding of its objectives.

Delays in Decision-Making

There are complaints of delays in taking decisions on the loans submitted under the scheme. These delays are attributable to : (1) inadequate organisational capabilities amongst banks and borrowers for preparation and analysis of data required under the scheme; (2) submission of incomplete (and incorrect) data or omitting to provide explanatory comments wherever warranted by the data; and (3) the multiplicity of tiers that intervene between borrowers and Reserve Bank and through which the loan proposals have to pass.

Except for few heads of information like industry average (Form IIIE), the bulk of other basic data required for completing these forms are available in the usual annual statements of financial accounts. Compilation of such data does not require any specialised skills. Borrowers however experience difficulties in preparing reliable forecasts of operations (sales) and funds flow for a future period and working out proposals for improving their weak or unbalanced financial position. It should not be difficult for borrowers, though, to build the requisite skills or expertise in their organisations. By the same token banks do not have adequate organisational capabilities for credit analysis, decision-making and follow-up. They are also not adequately equipped to guide their customers in filling up these forms. This is not surprising. Not long ago, the bulk of advances of most banks were concentrated in a few branches in metropolitan cities, port towns and commercial centres, and the skills of credit appraisal (not decision-making) were concentrated at these few offices. Not only is the dispersal of credit appraisal skills within a banking organisation too restricted, but qualitatively also these skills are in collection of market informations and evaluation of tangible securities, rather than in analysis of financial (and non-financial) data for decision-making and follow-up. Banks are today operating with an inadequate pool of credit officers trained in the use of techniques of forecasting of funds, funds flow and cash flow, breakeven analysis, etc. The result is that many banks are content merely with the collection of data and submitting undigested material to the Reserve Bank, resulting in protracted and avoidable correspondence and consequent delay in regard to the processing of applications for authorisation of the limits.[10] The answer to the shortage of trained credit officers is to expose a large number of them to well-designed training courses and also import into the organisation the requisite skills. [11]

A second important reason for delay is that either the data submitted are incomplete, or no explanatory comments are made on aspects of loan proposal which call for such comments. It is not enough that banks and borrowers furnish all the data on the forms. They should also give explanatory comments on such aspects of loan proposals as: diversion of funds to inter-corporate lending or investment, or to acquisition of fixed assets, payment of guarantee commission by companies on fully secured facilities, corrective steps for improving imbalances noticed in the financial structure inadequate working capital margins, excessive finance from suppliers, etc. It seems it is not adequately appreciated by the banks and borrowers that the appraisal process is used not only to assess borrowers' financial viability but also to enforce public policies on concentration of economic power, managing agency system, expenses pattern of companies, etc. Much of the delay on this account is avoidable. The Reserve Bank has, in fact, advised banks to follow its general instructions for compiling data to be submitted under the credit authorisation scheme.[12] These are however not observed in all cases. Further, the Reserve Bank has also circularised to the banks certain deficiencies which it has frequently noticed in the data submitted by the banks. The banks should in turn communicate these to the borrowers so that they might correct these deficiencies at the time of compilation of data for the loan proposals.

Yet another reason for the delay is the multiplicity of tiers between the borrowers and the Reserve Bank, whose prior authorisation is necessary before the loans could be sanctioned to the borrowers. Three suggestions can be made to reduce delay in obtaining prior authorisation of the Reserve Bank: (i) raise the limit(s) to an individual party requiring prior authorisation from the present amount of Rs 1 crore (or a single long or a medium loan exceeding Rs 25 lakhs) to a suitable higher amount; (ii) explore the possibility of delegating the powers to authorise limits under the scheme to all offices of the Reserve Bank; and (iii) exempt certain further categories of loans/borrowers from the purview of the scheme. From data available with it, the Reserve Bank can work out the frequency distribution by amount of loans referred to for its prior authorisation and suitably increase the credit limit(s) to a single party that needs its prior authorisation.[13] The relevant question to ask before suggestion (i) above can be considered is: have the banks built capabilities of appraising the loans in a manner that could achieve the objectives of the credit authorisation scheme? Most banks have been making serious efforts at building these capabilities and have gained some useful experience in operating the scheme. In order that the purposes of the scheme are fully achieved, the Reserve Bank could give detailed guidelines so that the banks could appraise the proposals strictly within the framework of such guidelines. One could also design a suitable system of reporting to the Reserve Bank and institute sample audit by Reserve Bank's credit authorisation cell to ensure quality of appraisal to delegatee banks. Implementation of the objectives of credit authorisation scheme must ultimately be made the responsibility of the banks making the loans and the energies of the credit authorisation cell should be spent more on the more difficult and complex task of developing a credit plan involving allocation of credit to the different sectors in accordance with the planned priorities. This latter task seems to be the more appropriate responsibility of the Reserve Bank.

Standard for Determining Working Capital Needs

The entire purpose of the credit authorisation scheme is to relate the quantum and duration of the credit to the genuine funds needs of a borrower. For that reason, it is important to develop an acceptable basis or standard for determining the genuine working funds need of any enterprise. Traditionally, bankers have been relating quantum of loan to the value of 'acceptable' assets. If a prospective borrower had an unencumbered stock of 'acceptable' assets to hypothecate, mortgage, or pledge, the banker, other things being equal, granted him the loan after retaining the usual margins. It is now well known that this practice of relating the quantum of credit to the

gross[14] value of 'acceptable' assets has encouraged double financing of inventories and unauthorised diversion of funds to acquisition of fixed assets, inter-corporate investment, payment of dividends, or even financing operating losses.

Further, a purely security approach to loans inherently encourages inefficient working capital management in the sense that a borrower maintaining excessive inventories (or assets) can get away with more credit than is optimally required to maintain a given level of operation. Therefore, security as the sole or principal basis for determining the quantum of credit has been rightly discarded. Instead, the quantum of credit is estimated, under the scheme, by a careful assessment of inventory levels required to support a projected level and mix of production. There are several drawbacks in using trend ratios and 'industry average' as a standard or basis for determining the genuine funds needs of any enterprise. It can hardly be disputed that a good deal more work needs to be done before a satisfactory basis for an inter-firm comparison can be evolved. Apart from lack of uniformity in accounting methods and conventions, there are the problems of widely differing product-mix, levels of technology, and manufacturing processes among the different firms in an industry. There are also problems in using trend ratios of a firm as a standard. In an economy that is characterised by uncertainties of availability and prices of raw materials, communications, imports, government policies, etc, use of trend ratios of a firm as a basis for determining its optimum funds need has very severe limitations. This point can be illustrated by reference to a textile mill. Its product-mix and distribution channel (and therefore funds needs) can change rapidly, depending upon the outlook for supplies and prices of raw materials or patterns of demand and prices for cloth. Thus, its funds need can vary not only from year to year but between different periods in a single year.

Another good reason for discouraging the use of trend ratios or 'industry average' as a norm for funds needs is the tendency amongst those who appraise credit to look upon these as providing a set of 'automatic rules' or an 'invariable guide' to determination of funds need, thereby hampering a flexible and dynamic approach to the *unique problems* of an enterprise.[15]

The banker-customer relationship is, in its essence, a unique relationship in the sense that no two firms in an industry are identical and therefore must be treated as *unique cases*. For example, think of an enterprise that for some reason is facing severe competition in marketing its products. It can however become competitive by offering longer credit terms than are offered by its competitors. Liberal credit terms will not only enable that firm to utilise its excess capacity and improve its profitability, but also contribute to social output. If in such a case the credit sanctioning authorities were to look upon the trend ratios or the industry norm as a guide to desirable accounts receivable period, the enterprise will be denied the much wanted credit which otherwise meet the cost-benefit criterion. It is not contended that bankers do not consider such unique problems of an enterprise. What is contended however is that 'industry norm' may be looked upon as something 'objective' or 'normative' and therefore any deviation from it being considered 'unhealthy', 'undesirable' or 'speculative.' This danger is particularly real when the ultimate authority (Reserve Bank) 'authorising' the loan is so far removed from the branch financing it. Further, a major objective of the scheme is to relate the quantum of credit to an amount required to support optimum levels of inventories for maintaining a given level and mix of output. How far does an industrial norm or trend ratio help in determining optimum level of working capital? If a firm (or an industry) has maintained excessive inventory in the past, its trend ratio (or industry average) will reflect sub-optimal inventory management and therefore will be misleading as a standard for determining genuine (optimum) funds need for inventories. Therefore, an optimum level of inventories in any firm can be determined, taking into account such factors as uncertainties of demand for its products, uncertainties of prices and availabilities of raw materials and consumable stores, level of ordering and carrying costs, lead time for procurement of materials, and stock-out costs (penalties). It is not suggested that banks should themselves determine such optimum inventory levels for borrower firms. They can however satisfy themselves that the borrowers whom they are financing have capabilities of determining optimum inventory levels and have installed a reasonably satisfactory system of inventory control.

Effective Follow-up System

The scheme as modified in June 1970 would certainly upgrade the appraisal process in banks and impose financial discipline on borrowers in raising funds. The scheme also seeks to control unauthorised diversion of funds by considering the total funds needs of a borrower in relation to total funds flows. The question that might be asked is: has the scheme designed follow-up procedures that will effectively achieve these objectives? The follow-up procedures of banks continue to remain basically security-oriented. They consist of periodic stock statements and inspection of borrowers' godowns. These follow-up procedures will not generate the data necessary to enforce *the wider objectives* of the scheme. It seems therefore there is a need to design and institute a follow-up system that not only verifies and protects the bank's security (important as it is) but also controls the working capital management and funds flow on a *continuing basis*. With this purpose in mind a working capital control chart is designed. This is shown in Appendix I. The preparation of such a control chart will involve little additional work. It only seeks to re-arrange the accounting data in a form that aids decision-making and follow-up by banks and borrowers. It should be stated however that this chart is designed mainly with a view to initiating a process of thinking on designing an effective follow-up system. The statement together with a monthly cash budget will give more effective means of control over use of funds, and level of investment on working capital and its liquidity. Ideally the follow-up must be uniquely designed to control the variables (maybe product-mix, costs, profitability) that are identified as critical to the productive and profitable use of the loan.

Notes

1 Government of India, Report of the Banking Commission (Delhi: The Manager of Publications, 1972), para 2.65, pp 38-39.

2 From May 1971 a single medium or long-term loan exceeding Rs 25 lakhs and repayable over a period of more than 3 years also require prior authorisation of the Reserve Bank under the credit authorisation scheme, *vide* Reserve Bank of India circular DBOD No CAS-B-C-63/C446-71 dated May 20, 1971.

3 "Proposals in respect of certain categories of borrowers, e g, State Governments, Electricity Boards and Public Sector undertakings, as

Appendix 1: Working Capital Control Chart

WORKING CAPITAL: TURNOVER COMPOSITION

Planned: Year to Date	Planned: This Quarter	Working Capital Indicators	Actual: This Quarter	Actual: Year to Date	Forecast Next Quarter
		Total Sales % on credit			
		Turnover of current assets			
		Current Assets Rs ('000)			
		Current Liabilities Rs ('000)			
		Net Working Capital Rs ('000)			
Rs %	Rs %		Rs %	Rs %	Rs %
		Composition of WC			
		1 Cash			
		2 Sundry Debtors/Accounts Receivables			
		3 Inventories:			
		Raw Materials			
		Work-in-process			
		Finished goods			
		4 Sundry Creditors/Accounts Payables			
100	100	Total Working Capital	100	100	100

INVENTORY LEVELS

This Month/ Quarter Last Year (days/ weeks)	Turnover in Days/ Weeks	*Optimal Turnover (days/ weeks)	Actual Turnover (days/weeks) This Month/ Quarter
	Raw materials		
	Work-in-process		
	Finished goods		
	Consumables		
	Debtors/Accounts Receivables		
	Creditors/Accounts Payable		

*To be determined taking into account projected level and mix of production/sales, lead time for procurement of materials, level of ordering and carrying costs, uncertainties of prices and availability of raw materials/components, assessed demand for critical items of inventories, etc.

SOURCES AND APPLICATION OF FUND ('000)

	This Quarter	Year to Date	Next Quarter
	Rs	Rs	Rs
*Funds from operations			
Sale of long-term assets			
Long-term borrowings			
Fresh capital			
Total			
Total Sources			
Purchase of long-term assets			
Repayment of borrowings			
Dividends			
Total Uses			
CHANGES IN NEXT WORKING CAPITAL:			

*Adjusted for depreciation development rebate and other non-operating and non-cash items of expense and revenue.

ACCOUNTS RECEIVABLES

('000)

AGEING SCHEDULE

Official credit terms — Days

Days beyond due date	No of A/cs	Amount Rs
0-15*		
16-30*		
31-45		
46-60		
61-75		
76-90		
90+		

Only overdue accounts be considered. The overdue period must be counted in relation to agreed/customary terms of credit.

*Only selected accounts over Rs..... considered.

COLLECTION PERFORMANCE

Month	Expected Collection	Actual Collection	Difference	Cumulative Difference
	Rs	Rs	Rs	Rs

Proposed Changes in Credit terms, if any

*This amount will vary with each firm.

Note: I am grateful to R M Karanjia for his help in designing the chart.

also certain types of facilities depending on their nature, e g, packing credit and post shipment credits, limits for distribution of fertilisers, limits against fixed deposits, purchases/discount of inland documentary bills, etc, need not be subject to prior authorisation and that sanction of such limits should only be reported to us subsequently" *vide* Reserve Bank of India circulars DBOD CAS C 446 (1) No 1185 dated July 22, 1968; (2) No 194 dated January 27, 1969; (3) No 733 dated April 8, 1969; (4) No 969 dated May 12, 1969; (5) No 1486 dated August 19, 1969; and (6) No BC 89/C 446-71 dated July 22, 1971.

3a Banks are now required to obtain Reserve Bank's prior authorisation under the scheme for sanctioning to Public Sector undertakings, including State Electricity Board, any fresh credit limits (including commercial bills discount) of Rs 3 crores or more or any limit that would take the total limits employed by such a party from the Banking System to Rs 3 crores or more, secured or unsecured basis. Individual medium or long-term loan of Rs 1 crore and above to this category of borrowers also require prior authorisation under the scheme. (DBOD No Sch BC 21/C. 96-73 dated March 17, 1973; DBOD No CAS BC 25/C 446-73 dated March 21, 1973; DBOD No CAS BC 33/C 446-73 dated March 27, 1973)

4 The *pro forma* statements comprise five forms. Form I records the particulars of existing limits enjoyed by the borrower from the banking system. Form II is a statement of assessment of working capital requirement and bank finance permissible. Form IIIA is a comparative statement of the financial position of the borrower during the last three years. Form IIIB is a statement of analysis of the last years' balance sheet. Form IIIC shows the income statement for the last three years. Form IIID is a statement of balance sheet reconciliation. Form IIIE computes and makes trend analysis of operating ratios, liquidity ratios and leverage ratios and also gives industry average. Form A is specially designed for sugar mills — *vide* RBI Circular No DBOD No CAS-652/C 449-70 dated June 30, 1970. Form IV gives cash flow statement for three years including a projected cash flow statement for the year following the immediately completed financial year. Form V is a statement showing total costs of the project and sources of finance (applicable to medium-term loans).

These forms were designed by a study group set up (January 1970) by the co-ordination committee of public sector banks.

6 Banking Commission Report, Para 2.65, pp 38-39.

7 Report of the study group on the extent to which credit needs of industry and trade are likely to be inflated and how such trends could be checked; summary. *Reserve Bank of India Bulletin*, November 1969.
"Working Capital requirements and availability of bank credit (Indian Processing and Manufacturing Industries)" by Nalini Ambegaokar, *Reserve Bank of India Bulletin*, October 1969.

8 In regard to the balance sheet analysis to be furnished to us, you (Banks) are requested to please give your (Banks) specific comments in regard to certain aspects such as intercorporate lending/investments, excessive inventory build-up, diversion of short-term funds for acquisition of fixed/non-current assets, payment of guarantee commission by the companies in spite of the secured nature of the facilities and/or the relatively low worth of the guarantor(s), etc, Further steps, if any, proposed to be suggested to the company to improve the accounting ratios, which adversely reflect on the position of the company may also be suitably indicated. Besides, whenever concessional margins, rates of interest, etc, are proposed to be allowed, the reasons therefore should be given. Where guarantees of directors, etc, are taken, the reason therefor may be given alongwith information regarding guarantee commission, if any, being paid to the guarantors. Reserve Bank of India Circular DBOD No CAS 952/C 446-70 dated June 30, 1970.

9 The Delhi Management Association organised such a banker-borrower seminar on April 14-15, 1972. The Ahmedabad Management Association organised a similar seminar on credit authorisation and bill market schemes on February 21-22, 1972. The Bombay Management Association also organised seminar on the new bill market scheme on December 18, 1971.

10 "Finally we would like to impress upon you (banks) that we do not consider the collection of data in the enclosed forms as an end in itself, but merely as a tool for taking judicious decisions on proposals for credit facilities. The forms are thus not substitutes for analysis and judgment based on the financial acumen and expertise acquired in the operational field. It should therefore be clearly understood that the purpose of the forms is to help in analysis, decision-making and follow-up." (*vide*, RBI Circular of June 30, 1970.)

11 The Bankers Training College, Reserve Bank of India, Bombay, has organised several programmes for training credit officers of banks in credit appraisal. These programmes seek to help the participants gain an understanding of and skills in use of financial techniques such as ratio analysis, cash and funds flow, cash budgeting, forecasting and assessment of funds needs, evaluation and follow-up of loans, etc, through use of real life case studies or problem situations. The Bankers Training College is actively considering a proposal to associate some participants from borrowing companies with the course in order to promote a better understanding each other's policies and data needs. (RBI Annual Report and Trend and Progress of Banking in India, para 232, p 70, 1971).

12 RBI Circular of June 30, 1970.

13 Parties who are considered to be enjoying a large share of the total bank credit may be excluded from the purview of the proposed exemption.
Also from time to time, RBI has introduced flexibility in the operation of the scheme. Relaxation takes the form of allowing banks to sanction additional limits upto a certain percentage of the existing or specified limits/outstandings as in the case of sugar, cashew, coal industries facing acute financial strain. (DBOD No GCS BC 142/C 483-71 dated December 11, 1971; (2) DBOD No CAS BC 49/C 446(U)-72 dated May 26, 1972; and (3) DBOD No CAS BC 29/C 446(CA)-73 dated March 27, 1973.) Similarly it exempted from the purview of credit authorisation scheme temporary accommodation by purchase of local cheques, drafts, etc, in the event of a prolonged suspension of local clearing (DBOD No Sch BC 12/C 95-73 dated February 13, 1973).

14 Gross of Suppliers Credit (also see footnote no 10 above).

15 The set of forms introduced in June 1970 seem to place an almost mystic faith in the financial statement analysis (ratio analysis) and funds flow for finding all answers to the questions of sound appraisal in banks and sound financial management by borrowers. There is room for modifying these forms. For example, it can be argued that annual cash flow statements should be accompanied by short-period forecasts of cash receipts and disbursements. Such short-period (monthly) forecasts will be a useful tool for answering the questions: how much funds does a borrower need, when, and how long? Such a cash budget should be based on carefully prepared sales budget, production budget, purchase budget, manpower budget, etc. It is not the purpose of this article to examine at length some of these questions of modifying the design and content of the forms.

Socialist Development in China

A Comment

Premen Addy

FEW would disagree with Ajit Singh's contention ("Political Economy of Socialist Development in China since 1949" November 24, 1974), that China's social and economic progress in the almost 25 years of liberation has been remarkable; neither would his observation that, "apart from the intrinsic interest of what is happening to 800 million people, a quarter of mankind, the story of Chinese economic development has important implications for today's underdeveloped countries" be a subject of grave dispute. It is when he steps on to altogether thornier ground by asserting that China is well on the way to creating a 'socialist man', that the Maoist model of society is worthy of emulation not only in the backward Third World but also in Western Europe and North America, that he lays himself open to challenge.

For a start, it may be useful to state that the socialism under discussion is Marxist in its assumptions and world outlook, particularly as one is obliged to acknowledge the existence of other varieties based on Tolstoy, Gandhian, or Islamic values. What then gives the Marxist *weltanchauung* its distinctive stamp? In brief, surely this: that man is the measure of all things; that in order to make himself the sovereign of his circumstances he must struggle with his fellowmen to create a society free of social and economic oppression. In the course of this struggle he must endeavour to train himself in the arts of reason, to free himself of the shackles of mystification; for ultimately his best energies find their most fruitful expression when transcending the debilitating impediments of religious dogma and national egoism.

In what way has Chinese practice, especially in the last few years, enabled Ajit Singh to harbour comforting illusions about the new 'socialist man'? On the contrary, such facts as are commonly known would seem to belie this: a dynamic, vibrant, China, yes; but also a China moved by an intense self-centred nationalism whose needs are the yardstick by which individuals and nations are either praised or condemned.

The atavistic passions of race and nationalism which activate much of China's current hatred of Russia (the fact that this is more than reciprocated by Moscow is beside the point); the grotesque spectacle of the Mao Tse-tung cult, evocative of China's imperial past when the Son of Heaven assumed to himself a semi-divine status; the mindless chants from the Little Red Book, provided a spectacle of national egotism, of paralysing conceit, such as would be difficult to equal, let alone surpass, even in this age of assertive nationalisms.

Following from this, may one draw Ajit Singh's attention to some of the more unsavoury items of Chinese foreign policy of which I am sure he is aware, but which in his enthusiasm for the New China he has chosen to ignore. The following samples should suffice: Peking's sympathy and understanding for Numiery when he chose to murder in cold blood, the leaders of the Sudanese Communist Party who also happened to be pro-Moscow; its support for Yahya Khan and Sirimavo Bandaranaike (one has to go back to Goebbels to find such a concoction of lies and half-truths as were in Chou En-lai's letters to the Pakistani and Ceylonese leaders) against their domestic opponents, or its sudden expressions of love for the Shah of Iran and others of his ilk. That such policies are invariably supported by ponderous rationalisations from the liturgy of "Marxism-Leninism-Mao Tse-tung Thought" hardly makes them any the more acceptable; if anything they are rendered offensive by their insensitivity to the political integrity and intelligence of the public in general and of socialists in particular. It needed I F Stone, scourge of successive US Administrations, to place these developments in their proper setting (*New York Review of Books*, June 29, 1972), as when he observed that, "On the very day that Secretary Rodgers urged the annual Conference of the Central Treaty Organisation Powers — Turkey, Iran, Pakistan, Britain and the US — to guard against new Soviet thrusts in that area, news broke from Islamabad (*New York Times*, June 3) that Peking and Washington were united against Delhi and Moscow in support of those responsible for the Bengal massacres. The world has seen strange bedfellows before but rarely in a stranger or bloodier bed."

Other distinguishing traits of Chinese thinking relate to developments within the Soviet Union. One has yearned to be enlightened by a structured analysis of the genesis and evolution of "social imperialism"; the relationship between its class character and its policies: instead, have come copious extracts from the mullah-ridden Press of the Middle East and Pakistan, from the Conservative *Daily Telegraph* in London, and from the speeches of two such deep students of socialism as Alec Douglas-Home and Minoo Masani. And on this enlightening evidence is the dreaded spectre of "social imperialism" based! Neither is Peking's history of the rise of revisionism in Russia less bizarre. The Maoists would have us believe that all was well under Stalin (still an honoured member of their pantheon), but that after his death a clique led by Khrushchev effected a coup; and that they and their successors have, ever since, been restoring capitalism. As the Soviet Union is now described as a fascist state (10th Congress of the CPC) this capitalism must have grown, matured, and started declining, in the remarkably short space of a decade and a half.

The Chinese leaders are these days the very soul of tact toward the Americans. In a conversation with C L Sulzberger of the *New York Times* (the interview being reproduced in the *London Times* of October 31, 1973) Chou En-lai revealed that one reason why his country's Press had refrained from reporting the Watergate scandal was that that might infringe the principle of non-interference in the affairs of another state. With such a mind-boggling definition of peaceful coexistence, the permitted level of cultural or political activity in a Maoist haven would either be reduced to the cultivation of one's garden, or be confined to participation in carefully orchestrated mass campaigns against hapless individuals from whom the protective grace of the Chairman had been withdrawn.

For the rest, the circumstances and causes leading to the decline and fall of people like Liu Shao Chi, and Mao's heir apparent, Lin Piao, are still wrapped in a miasma of mystical assertion, confusion and doubt, for any conclusive pronouncement to be made on their supposed sins. Numerous charges, for instance, are made against Liu; in addition to being a "capitalist roader", he is also described as a "hidden renegade scab and traitor" who had been betraying the revolutionary struggle of the Chinese people since

the 1920s. (It is curious how the Christian doctrine of original sin has found a Maoist form.) Ajit Singh, by implication, accepts the first of these charges, but prefers ignoring the second. Why this selectiveness? Regrettably, we have to press these questions strongly, if we are to avoid becoming the victims of a confidence trick, in the manner of so many people who blandly accepted the official versions of Stalin's show trials nearly 40 years ago. Bitter experience has shown that the ideological rationalisations of class struggle are apt to become a convenient ploy for summary trials, executions or political disgrace. Maoism in the context of Chinese history and social development has its own rationale; outside its native soil, in Europe, America, or even India, unless refined a hundred times over, it is liable to assume the most unshapely and grotesque of forms. The prospect of seeing in power such trusted yeomen of Mao Tse-tung Thought, as the likes of the late Charu Mazumdar in India, or Reg Birch in Britain or E F Hill in Australia, not to speak of Major Ishaq in Pakistan and votaries of "Muslim Bangla" like Maulana Bhasani and his tribe of Maoist mujahids — and even of being ruled by them — is daunting in the extreme.

The following passage from Harrison Salisbury's "To Peking — And Beyond" (a largely sympathetic account of present-day China) underlines certain aspects of contemporary Chinese society which must be understood, if at all a rounded picture of the People's Republic is to emerge or the titanic problems of building socialism in a backward country are to be fully appreciated: "The students, to be sure, were idealistic. To be sure, they were motivated — by motives of patriotism, service to their country, service to their fellow countrymen and, at a somewhat greater range, service to the cause of revolution (although this was quite plainly a cloudy concept that did not really seem to go much beyond support for those countries closely allied to China — Albania, Vietnam, Cambodia and North Korea). They were obviously chauvinistic, without really understanding the nature of their chauvinism. So far as culture was concerned, their definition could hardly have been narrower. It recognised only that culture which was deemed useful to the Revolution or to Chinese patriotism. The idea of a more general culture was alien, and seemed to them threatening. They were ignorant of conditions beyond the frontiers of China, and only weakly interested in learning about things that did not directly touch them. They had no hostility toward the United States, but no special curiosity about it. The Soviet Union was another thing. They were violently hostile to Russia and to anything they even in the periphery of their knowledge seemed to be identified with it — rock and roll, for example. Their mores and morals fitted the pattern I had already seen, a code as rigid as that of the Puritans. Not only did they not indulge in activity that might bring boys and girls into close physical contact — they did not even like to talk about such a thing. It was an embarrassment just to think about dancing two-by-two" (pp 138-39).

This picture is not greatly at odds with Ajit Singh's own definition: "socialist consciousness, which in simple terms stresses elimination of self-interest and exalts the public good."

Now, after a century of civil war and social decay, to witness at first hand, the practice of such recognisably Jesuitical values as poverty, chastity, and total obedience to superior authority, may be a strangely moving experience. Nevertheless, Jesuitical ideals defended with Stalinist casuistry do not accord with the sounder traditions of Marxist thought and analysis.

In sum, though China has undergone an immense social and economic transformation she has still a long, long way to go before she can boast of the socialist society of our dreams; dreams which some fifty years ago were being turned into reality. The spirit and achievements of the early Bolsheviks in the first decade of the infant Soviet Republic may today be a half forgotten ideal, but it is one worth rescuing from oblivion and given new life. That surely must be our task.

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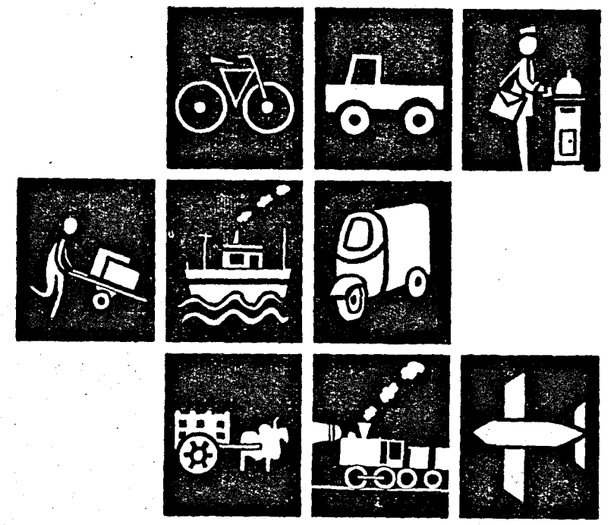
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WORLD BANK TO THE RESCUE

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NON-CAPITALIST PATH AND ALL THAT

LATIN AMERICAN VIEW OF UNDERDEVELOPMENT

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Indignation Is Not Enough

THE World Bank is now a sprawling bureaucracy, and India is its leading borrower. Neither can manage in the absence of the other. Without a widespread acceptance of the principle of multilateral, institutionalised assistance, the Bank will lose its clientele, and its bureaucrats their profession. And without the Bank organising its annual charade of the Consortium meeting, where India's aspiration for economic development under 'democratic' auspices is duly approved of and certain general sentiments are expressed on the desirability of channelling, if you can, some extra funds to this country, New Delhi will be in deep trouble. The sensitivity which some of our politicians, including members of Parliament, have developed to even minor notes of criticism emanating from the direction of the Bank has therefore an aura of irrationality about it.

The Bank's latest study, which in any case ends up with a thundering recommendation for debt relief to India, has nonetheless attracted a whole lot of adverse comments, since it incorporates some gloomy comments on the country's economic prospects in the immediate period, and particularly emphasises the unlikelihood of the goal of self-reliance being reached within any finite time horizon. An identical exercise could have been undertaken and publicised by a local contingent of economists; it would not have caused even the faintest ripple. It is only because the commentary has come from the World Bank that the politicians have got worked up in this manner. The conclusions in the report they implicitly accept, debt relief must come India's way, but the premises on which the conclusion is based are not acceptable; even if these were otherwise acceptable, they are not acceptable since they come from the World Bank, which should seemingly just arrange the debt rescheduling, and, for the rest, keep mum.

This is all slightly hilarious, for, in the past, occasional laudatory remarks on India's economic performance made by the World Bank in its confidential documents were purposely leaked out by the government itself; the same set of politicians were then found to lap them up. There should be a certain symmetry in these matters. If plaudits coming from foreign agencies are not to be scoffed at, one or two brickbats coming from the same addresses need to be tolerated too. Since little reluctance has been shown by the politicians in accepting assistance from and organised by, the World Bank, occasional words of advice from it have to be lumped. The government should have the honesty to concede the point that rejection of advice from external agencies should be accompanied by rejection of aid from these sources.

All this is however symptomatic of the fact that the nation's options in economic as much as political matters are getting progressively narrower. In case the basic internal reforms and social disciplining essential for economic stability and growth are not found to be politically feasible, there is inevitably a repercussion of that on the country's external accounts. Despite not undertaking any of the essential reforms, one can still continue to enjoy degrees of freedom in the domestic sector provided the system is kept afloat through the availability of foreign funds. Our trade with, as well as aid from, the East European countries has increased severalfold in recent years; we are also busy currying the favour of the oil-rich Middle East countries. But, quite clearly, the arithmetic cannot match unless the Western countries agree to be somewhat more munificent towards us than they have been in recent years. The bygones of 1971 are bygones; the Government of India is trying hard to resume bilateral understanding with the United States administration, so that aid from that extraordinarily rich country could flow once more. A pall of uncertainty will however hang upon this particular prospect till as long the Watergate fog does not lift. Willy nilly, therefore, New Delhi will have to fall back on what the World Bank and Robert McNamara can organise through cajoling the other members of the Aid-India consortium, the Arab Sheikhs and the Shah of Iran.

The meeting of the Consortium, just concluded in Paris, was faithful to this script; a figure of as high as $2.4 billion was mentioned as aid to India during the ensuing year, to be contributed equally by the Consortium group and the Arab countries. This may be all a pipedream; still, if members of Parliament and other assorted politicians object to the principle itself and take umbrage at the World Bank's activities, this is the occasion for them to speak up. If they would not want any busybody role on the part of the Bank, they must be equally firm in their resolve that aid under the auspices of the Bank should be unwelcome too. There are certain implications of rejecting the inflow of resources, howsoever dubious their source. A more rigorous management of

the economy, calling for a substantial encroachment on the living standards of the affluent sections, would in that case become absolutely necessary.

Those who want to indulge in the luxury of baying at the World Bank must hence agree to a phase of self-denial. If they are not prepared for the latter, they have little business to feign indignation over the allegedly condescending attitude of the Bank.

Bombay

Shah's Writ Here Too?

SOME 40-odd Iranian students marched in entirely peaceful protest to the Iranian Consulate in Bombay on March 23 to call for, among other things, an investigation into the repressive nature of the Shah's regime by the United Nations Human Rights Commission.

Amnesty International has documented the brutality with which the Shah's regime deals with any criticism of its policies. Not only is peaceful political protest forbidden but even mild intellectual criticism of the Shah's actions is considered subversive. Those who have dared to raise even slightly critical voices are known to have been dealt with viciously, prison sentences of 10 to 12 years accompanied by systematic torture being common.

Initially, the police saw nothing objectionable in the small demonstration. But two days later, Special Branch CID II of the Bombay police confiscated the passport of Nosrat Temoorzaddeh and arrested him on the minor technical charge of having come to Bombay from Bhopal (where he is a third year architecture student) without informing the police. Two other Iranian students, Asghar Nosrati and Latif Shoshtari, who had not even taken part in the demonstration, were arrested on subsequent days when they went to the police to make enquiries about Temoorzaddeh. On April 9, after nearly a fortnight in jail, the three students were released on bail and on April 10 the police withdrew all charges against them, obviously because there was nothing of substance to prove against these students. The very next day the three students were served with expulsion orders, signed by an Under Secretary of the Government of Maharashtra, to leave the country within 72 hours. When contacted about the expulsion orders, the Chief Minister and the Minister of State for Home professed ignorance about any such orders having been issued. However, attempts to persuade them to withdraw the orders failed and the Special Branch Deputy Commissioner insisted on arranging the students' flight bookings out of the country. They were surreptitiously booked on an Air-India flight which would be passing through Teheran. The students refused to avail of this facility to fly into 10 or more years of captivity and possible torture. For the moment they are still in Bombay.

Quite apart from the inhumanity of throwing these young men who have committed no offense out of the country, a number of other issues come to the fore. If the Maharashtra government and police are acting only on orders from Delhi, it may be surmised that some petty-minded bureaucrats in the Ministry of External Affairs have got it into their heads that the offer of three sacrificial lambs to the Shah will help oil Indira Gandhi's visit to Iran at the end of this month! But if the Maharashtra police and administration are being unduly zealous in dealing with these students due to pressures from the Iranian Consul-General in Bombay, it is about time that the Central Ministry of Home Affairs, which is so quick to see the hand of foreign agencies in mass movements directed against the government, began to curb the activities of such personages as the Iranian Consul-General or have them declared *persona non grata*. And if the much-vaunted Research and Analysis Wing is for the moment not too busy otherwise, it might begin to look into the connections between foreign emissaries and state governments, policemen, pressmen and others amenable to external influences.

West Bengal

Student Protest: A Beginning?

THE widespread student struggles launched by the CPI(M)-led Students' Federation of India (SFI) are a manifestation of a wider mass protest against the thoroughly discredited Congress regime in this state. About 50,000 students have so far taken part in a phased programme of demonstrations, gheraos and courting of arrest in about 30 cities and towns, including Calcutta, as part of the SFI's movement. The movement was started on April 4 on the demands for adequate supply of food and kerosene, cheaper writing paper and textbooks and changes in the educational system. About 1,000 students have been arrested so far. Though the mass defiance of prohibitory orders in Calcutta on April 8 passed off peacefully, similar action in some other cities and towns met with severe police repression, including firing in the sub-divisional town of Basirhat in the 24-Parganas district, though fortunately with no loss of life. The police resorted to heavy lathi-charge and bursting of tear gas shells at Bongaon in the same district and Chandernagore in Hooghly district. The student demonstrators in Howrah city and Chinsura town were also severely beaten by the police. In the latter place, according to one newspaper report, 91 students, including girls, were admitted to hospitals for treatment of injuries.

These acts of reprisal by the police were, in turn, followed by wider mass protests in the form of student strikes and bandhs in many places. The bandh at Chinsura, jointly called by the CPI(M), Forward Bloc, RSP and some other Left parties, was particularly successful. The SFI had called for a statewide student strike on April 9 and the CPI(M)-led CITU was scheduled to hold a mass rally in Calcutta on the same day to express its solidarity with the struggling students.

If these student struggles and the solidarity actions following them represent a sort of reconnaissance by the CPI(M), the government too, as appears from its varied responses over time and space, is engaged in probing actions — ranging from police-protected non-official violence against CPI(M) bases, as at Diamond Harbour, to firings by the police as at Basirhat. There are signs of nervousness in Writer's Building as the authorities recall that the beginning of the end of the Congress government in West Bengal in 1967 was marked by the very similar circumstances of a mass upsurge following the death of a student in police firing at Basirhat in 1966 during an agitation for supply of food and kerosene. Immediately on receipt of reports on the first day's agitation, the Chief Minister went into a huddle with top officials including the IG of Police and the DIG (IB). Quite a number of CPI(M) cadres have already been arrested all over the state. But the government has been forced on the defensive.

Though the SFI has launched this round of struggle on its own, the government's efforts to pit other sections of students against the SFI have so far failed. On the other hand, talks have been initiated for bringing about co-ordination among the student organisations led by some of the Left parties belonging to the nine-party Left front. Indeed, the demonstrations and law-breaking programme in Calcutta was jointly conducted by SFI and a number of other student organisations. Even the student organisations of the ruling party and the CPI have announced programmes for initiating student struggles on the same demands as projected by the SFI. The secretariat of the state CPI and the Yuba Sangha (Youth League) led by it promptly issued a press statement condemning the police repression of student demonstrations.

The perceptible change in the correlation of forces in this state is reflected also in the present mood of state government employees. The Co-ordination Committee of state government employees' organisations led by the CPI(M) had given a call for a one-day token general strike on April 9 as part of the programme announced by the All-India State Government Empolyees' Federation. A number of state government employees' organisations outside the Co-ordination Committee associated themselves with the strike call; even the Joint Committee, led by CPI, which has for the last four years been allied with Congress-led organisations, directed its members to take mass leave on April 9, to synchronise with the token strike call. Indeed, the changed and changing political climate in the state is reflected in the statement by the President of the ruling party's student organisation that "one must not oppose a movement just because it had been launched by the CPI(M)'s student wing".

It would, however, be the height of complacency to rule out a different turn of events. There have been many cases of provocation of and physical assaults on CPI(M) student ranks by elements who pass as Congress supporters, mostly under the protective umbrella of the police. If the movement now under way is to signal a new phase of popular advance in this long subdued state, much greater unity of the struggling masses at the base and wisdom and restraint on the part of the leadership will be called for.

Maharashtra

Gift from the Opposition

Our Maharashtra Correspondent writes:

THE Prime Minister's visit to Poona last Saturday had become an issue of prestige between the Congress party and a number of opposition parties and groups. Some four months ago, the Prime Minister had been forced to abandon a public meeting in Nagpur without completing her speech. Then, a second time, she had been persuaded to cancel a proposed visit to Bombay around the middle of January on account of fears of mass demonstrations and possible violence. Another reason for the cancellation of her trip on that occasion was that her visit would have coincided with the declaration of the result of the by-election to the Lok Sabha from the Central Bombay constituency and it is possible that intelligence reports had cautioned her about the likelihood of a Congress defeat in the election. Encouraged by these precedents, the opposition had declared that this time too the Prime Minister would be prevented from coming to Poona.

Poona city has never been a stronghold of the Congress. Though the Congress is currently the largest single party in the Municipal Corporation the city has a Congress(O) mayor. Among the opposition parties, the Jan Sangh has a strong volunteer force in the RSS which has always had a devout following in Poona. Despite this, the Congress decided to meet the opposition challenge at the party level rather than through the administration, though its control over the latter was fully exploited. It adopted two interesting tactics. First, it decided to take advantage of its own strength, and the opposition's weakness, in the rural areas of the adjoining districts. Thus it set about 'importing' a hundred thousand people from these areas to be present in Poona on the day of the Prime Minister's visit. For this purpose, vast resources in terms of trucks, buses, etc, were openly mobilised by the Congress. Vasantrao Patil, Irrigation and Power Minister in the state government, who camped in Poona city for days, even announced that Congress supporters coming from outside would come armed with 'lathis' to meet the opposition parties' threat of violence. Here, then, was a Congress adaptation of the Maoist dictum about the surrounding countryside overwhelming the city!

The other tactic employed by the Congress was to exploit the anti-Brahmin sentiment among the people. The opposition to the Congress in Poona has traditionally come from the Brahmins. An important element in the Congress propaganda, particularly in the districts adjoining Poona, was that the Brahmins were once again raising their head and trying to prevent the Prime Minister of the country from visiting Poona. This propaganda was patently false, but it was not ineffective.

A large part of the responsibility for their political defeat was that of the opposition parties and groups themselves. Their craving for publicity (a Dalit Panther leader even threatened to immolate himself) generally outstripped their ability for preparatory work to achieve their objective. Thus while long in advance of the Prime Minister's trip many brave statements were made about preventing the visit, to the very end there was little co-ordination among the opposition groups. The confusion among them was complete when the so-called all-party action committee announced at the last moment that no attempt would be made to obstruct the Prime Minister's motorcade and that the opposition parties would stage only peaceful demonstrations. In the event, the demonstrations turned out to be not merely peaceful but also purely symbolic — so feeble were they.

In fact, it was almost as if the opposition parties had conspired to enable the Congress party and the Prime Minister to claim a political triumph when in fact there had been none. For, among the people of Poona itself there was remarkably little enthusiasm for the visitation from New Delhi. The whole episode demonstrates once again how ill-considered action by highly disparate opposition groups can be severely counter-productive.

India-China Relations

Time for Fresh Initiatives

IF not a thousand, at least a fair handful of thoughts are evidently contending in China. The controversies raging over Confucius and Beethoven's Eight Symphony are proxies; it is the underlying currents and cross-currents which deserve closer attention. Leading personalities are still adopting, or adjusting, positions in support of, or in opposition to, types of ideological attitudes. In this sense, therefore, China has not quite emerged from the after-effects of the Cultural Revolution. Whether a second wave of the Revolution is now on is a matter of speculation; certainly many of the issues that reared their head six or seven years ago are having a second washing. The Lin Piao episode has left an awkward taste in the mouth, and while a num-

ber of fresh initiatives in the sphere of international relations would suggest that Chou En-lai's position remains reasonably secure, it would be altogether idle to pretend that China's domestic and foreign policies are moving along a consistently unilinear direction.

Such being the case, New Delhi should not yet throw in the towel. Complaints have been murmured by South Block that overtures to Peking in the more recent past have met with but faint response. This however is understandable, since, given the bitterness of a whole decade, a bitterness to which the Government of India itself had made substantial direct contribution, the Chinese too have to move in a somewhat gingerly fashion: they too will have their counterparts of the Swatantra party and the Jan Sangh. The issue has been rendered immensely more complicated by the signing of the Indo-Soviet Treaty and the developing trade and economic relations between the Soviet Union and this country. Given the present state of Sino-Soviet tensions, any seeming convergence between India and the Soviet Union, whatever the compulsions for it, would immediately raise Chinese hackles. The difficulties thus created cannot be untangled overnight. India in the long run has little to gain by a straitjacket of a foreign policy which condemns it to an uneasy shuffling within the co-ordinates of out-and-out pro-American and out-and-out pro-Soviet positions, and marked by a permanent anti-Chinese stance. The mileage that could once be obtained by playing the Soviet Union against the United States and *vice versa* is now a victim of obsolescence. And once both Washington and Moscow begin to take for granted India's hostility toward Peking, the failure of this nation's foreign policy could not be more overt, with consequential adverse impact on several other spheres of activity.

A certain room for manoeuvrability is thus badly needed. But just as Chinese policy toward us cannot move in a uniquely smooth pattern, so too the course of overtures to China has to be, at least initially, a little bumpy. It is not possible to tear asunder at short notice the constraints which stem from the arrangements entered into with the Soviet Union; similarly, it is not possible to brush aside the reality of the American presence in several distinct sectors of the economy. A few other rigidities have also threatened to freeze the contours of foreign policy — for example, a strongly entrenched establishment with a vested interest in an ever-rising defence outlay. Peking ought to appreciate that the scope of Indian initiatives cannot but be severely limited in the short period by the presence of such factors. The initiatives nonetheless should be there. And it is not altogether correct to suggest that till now the response from China has been totally blank. Chou En-lai, for instance, a few seasons ago made quite a display of his government's invitation to the Indian table tennis team to visit China. No similar overtures have been heard of from New Delhi. After an interregnum, the Chinese have now sent another invitation, this time to the Indian Kotnis Memorial Committee to attend the May Day celebrations in Peking. The Chinese would thus seem to be interested in keeping a line of communications open. It is time for the Government of India to announce a few initiatives from this end. If a team of Pakistani journalists could be permitted to visit this country, go round different centres and have an audience with the Prime Minister, there is little reason why a similar gesture could not be officially accorded to a similar group from China — or why, in our current dire economic difficulties, a trade delegation from Peking could not be invited for a preliminary exchange of views on the possibilities of a resumption of trade ties between the two countries. And if the inhibitory factor is the alliance entered into with the Soviet Union, the opportunity cost of the alliance should then be discussed in the open.

Indian Council of Social Science Research

SUMMER COURSES IN RESEARCH METHODOLOGY IN SOCIAL SCIENCES

The ICSSR announces four courses in Research Methodology to be held this summer. Two are Foundation courses open to all social sciences; two are discipline-specific — one for Economics and another for Political Science.

Following is the schedule:

Foundation Courses

1. A. N. Sinha Institute of Social Studies, Patna	May 20 through June 29, 1974
2. ICSSR Southern Regional Centre, Osmania University Hyderabad	June 10 through July 20, 1974

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1. Economics

Sardar Patel Institute of Economic & Social Research Ahmedabad	May 6 through June 29, 1974

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Professor Yogesh Atal
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Send a stamped and self-addressed envelope (size 23 cm x 10.5 cm)

Note: Other courses will be announced later.

Calcutta Diary

A M

CONSIDER that much maligned category, labour in West Bengal. Mothers in comfortable bourgeois households all over the country must be still narrating to their young offspring hair-raising stories about the indescribably evil deeds perpetrated by the industrial working class in this state during 1967-71. Life then, the children would be told, was nasty, brutish, and short; civilisation had come to an end in this corner of the earth; the travails that the state is currently undergoing are the result of the brutalities indulged in by labour in those years — when investment cried off, replacement suffered, managers and industrialists otherwise imbued with a sense of mission to lift West Bengal to pristine economic glory found themselves played into an impossible corner. Organised labour in West Bengal was responsible for that abominable innovation of the *gherao*. Workers bullied proprietors and managers into conceding demands that were unreasonable to the core and were economically ruinous; they struck work whenever they felt like doing so; and they generally brought about an atmosphere of terror and claustrophobia which has been the major contributory factor in the untold sufferings of the people of West Bengal.

Script for Fairy Tale

Thus goes the script for the fairy tale. Now consider a few facts. The facts that are listed here are official, vetted by the Government of West Bengal, the *present* Government of West Bengal. Between 1968 and 1973, the number of man-days lost in West Bengal on account of *strikes* were markedly less than the number of man-days lost on account of *lock-outs* declared by the manufacturers and their managers. In 1968, 53 per cent of man-days lost were due to lock-outs; the corresponding percentages for 1970, 1971, 1972 and 1973 were 38.7, 62.3, 73.9, and 59.8, respectively. Only in 1969 were lock-outs responsible for a relatively minor proportion of the total man-days lost through industrial disputes, namely, 18.6 per cent. But this marked fall in the number of man-days lost on account of lock-outs in that year can be easily explained: 1969 was the year when the United Front Government was in power in West Bengal — and in full cry. It was apprehension of the new state government which kept the capitalist-producers away from the temptation to lock out labour. In each of the other years, it has been either President's rule or rule by the Congress; their kingdom come, the capitalists and their managers could not have felt freer to do whatever they liked with labour.

Certain other facts are equally revealing. Since 1966, the number of man-day lost *per* lock-out in West Bengal has been consistently higher than the number of man-days lost on the average on account of strikes. In 1966, the number of man-days lost per lock-out was 22,434, as against 5,113 per strike; in 1967, the corresponding figures were 16,910 and 6,605; in 1968, 22,932 and 11,779; for the subsequent years, they were 13,656 and 9,965, 28,502 and 8,521, 23,037 and 7,548, and 20,092 and 5,526, respectively. Finally, in 1973, 24,158 man-days were on the average lost because of lock-outs as against only 12,202 because of strikes. The average duration of a lock-out in the successive years, beginning with 1966, was 28, 48.2, 37.9, 24.9, 44.0, 47.6, 29.6 and 54.3, respectively. The average duration of a strike, on the other hand, for each of the years has been 9.5, 16.5, 18.6, 12.7, 15.6, 12.7, 8.0 and 4.2, respectively.

One could, if necessary reel off other figures, but the point ought to have been established by now. The working class in West Bengal, there can be no question, has been at the receiving end of a great campaign of calumny. If the industrial climate in the state has remained uncertain during all these years, only an insignificant part of the responsibility for that uncertainty can be laid at the door of labour. Units have been mismanaged in the state, funds have been filched, entrepreneurs have declared closures on the flimsiest of pretexts, and workers have been locked out whenever the owners and managers have considered it financially worthwhile to cease or interrupt production. It is not only in West Bengal that they have discovered that, by restricting output and thereby forcing up the price, both aggregate and per unit profit could be improved upon so long as they happen to enjoy some monopolistic advantages in the market. But in West Bengal's conditions they have found it easier to restrict output and blame it on labour. There have been other reasons for lock-outs and closures, too, such as the general industrial recession, the shortage of raw materials, and so on: the knowledge that prices and profits could be ensured in most scalings down of output would, however, underpin the decision-making on even such occasions in the case of several units.

But cast your mind back to those unreal days, five or six years ago. Very few were interested in sifting facts. The United Front had captured power in West Bengal; darkness had descended at noon. For the first time, the capitalists discovered, they could no longer take for granted that the forces of law and order would intervene on their side and beat up or arrest labourers whenever there was an industrial dispute. The world was on the point of collapse; the United Front government had asked the police not to take sides in the confrontations between the industrial owners and their workers. Till then, instruments of the state were supposed to be always at the beck and call of the capitalist class, to be deployed in whatever manner the latter would want them to deploy themselves. The rude interference with this natural law could hardly be tolerated.

Synthetic Panic

Therefore, a synthetic panic had to be created. The newspapers played along: their proprietors were as much scared by the abrupt emergence of the Leftists into positions of power as by others of the species. Mountains were made out of molehills. The relevant data concerning industrial disputes were suppressed, the problems posed by the recession and by such other factors as the steady draining of funds from the various companies through the managing agencies, were slurred over. Monosyllogism came to hold complete sway. Whatever closed in West Bengal closed on account of labour. Whatever unsavoury incident occurred occurred because of the boorishness of labour. Whatever unit faced difficulties in maintaining the tempo of production could blame it on the intransigence of the working class. If there were no raw materials, labour was at fault; if orders were not picking up, the workers were responsible for it; if coal was not reaching the plants, labour must be up to some mischief; if the trains were not moving, the workers were at the root of it; if power production was declining, labour must be sulking and not doing the assigned

work. Factories could be closed and labourers could be locked out because miserable proprietor-owners had done their fine calculations and satisfied themselves that this was an optimum solution because not only could they retain the size of profit by laying off labour and slashing production by a certain proportion, but, after having shut out the workers, they could yet put the blame for this squarely on the workers themselves — and the version would be accepted as unvarnished truth by the Press and the world.

In an unequal society, all assets, including those of the public media, are inequitably distributed. Such being the case, those who control the mass media can keep drumming the same untruths for weeks on end and so enforce a temporary suspension of commonsense as to facts. In the rest of the country, and even in West Bengal, there is a fairly widespread conviction that the steady ruination of the state in the course of the 27 years since 1947 has been entirely on account of what labour did during the two spells, adding up to 19 months, of the United Front.

Lack of Symmetry

Were one to make a comparison, industry by industry, the worker in West Bengal is paid less than his counterpart — not just in Maharashtra, but in at least five other states. What is particularly puzzling is the lack of symmetry in the manner in which certain propositions are formulated. The President of this Republic, who once upon a time used to label himself a labour leader, has been, in a sudden flurry of speech-making, pontificating up and down the country on the imperative duty of the working class to desist from strikes. Yet, at least in West Bengal, considerably more man-days — and hence industrial output — have been and continue to be lost on account of lock-outs than because of strikes. But Varahagiri Venkata Giri is not heard to exhort the industrial manfacturers on their duty not to indulge in lock-outs. From time to time, eminent men, including learned economists and newspaper editors, declaim that wages need be frozen at existing levels if inflation is to be curbed: none of these eminences, however, argue for a freeze in the rate of profit-taking. On the other hand, if, as in this year's Union Budget, more is planned to be given to those that have, they applaud — and not from the sidelines.

In this grim period of crisis, so the wise ones suggest, everybody should work together; as the Prime Minister and the Home Minister have urged so many times, the opposition groups should co-operate with the government. What does such co-operation mean at the operational level? That one must not harp on class biases in official policy-making, must not refer to the class biases in newspaper reports. It is not in the Indian tradition, you and I will be told, to dilate upon the theme of sharply delineated class alignments; 'unity in diversity', don't you know, is this nation's enduring principle. What however may appear as an obsession is in fact a reaction to the kind of attitudes that are adopted and the kind of acts that are performed on the other side of the barrier. If the country is rapidly moving toward a state of class confrontation, no small contribution to it is made by the avarice and shortsightedness of those who believe in using official machinery and mass media to spread canards about the working people.

JOAN ROBINSON

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Oxford University Press

Recognising the New Mood?

Romesh Thapar

INDIRA GANDHI must be talking tongue-in-cheek. Surely, she does not believe her 'fascist' theory or the elaborations appearing in the communist press which compare the situation to the confrontation in Chile (what with the late Allende's wife in town!) and the balance of forces in Kerensky's time prior to the Bolshevik Revolution when 'black reaction' organised under Kornilov. Or is she exaggerating to sow confusion among the confused 'marxists', both here and abroad, on the eve of the critical railway strike.

The Prime Minister's performance becomes even more incomprehensible as the charge of corruption is questioned and rejected by her. She is obviously out of touch with the public mood.

And, yet, the PM's recent visit to Poona should have come as an eye-opener. Intelligence reports had been forecasting terrible commotion should she decide to set foot in the town, an assessment very similar to the one given earlier when Bombay city was expressing its anger and later when Gujarat was in rebellious posture. At one point, the betting was that she would "chicken out".

The visit has proved once again that the people, despite their terrible troubles, are demanding leadership, intelligent leadership, and that Indira Gandhi still appears as the only likely leader. Of course, the speeches of the PM at Poona were off the mark, unable to explain the crisis and without any leads. Warnings, threats, hunches, vague appeals do not tot up to much.

But, at least Indira Gandhi has got moving into the trouble spots. Gujarat is waiting. So is Bihar. And soon there will be other festering focuses. These visits are necessary for her, if only to get a flavour of the new mood, something very different from the *durbari* atmosphere of the Capital. Certainly, the security system will warn of possible mishaps. This is its job. But political leadership cannot become something dependent on security considerations. We have not reached that phase as yet.

Certain basic points have to be driven home into the consciousness of the Congress party's chieftains if they wish to avoid a situation where several explosions take place simultaneously and paralyse Central action. Let's face it, everything is going to pot. Public transport, water, electricity, telephones, postal services, conservancy, the distribution of essentials, medical aid, law and order, the collection of taxes, the administration of justice — yes, the whole lot are discussed and denounced. The public is being harassed. Only money makes things easy. The style is set by the top — yes, the absolute top. A cursory study of some land deals in Delhi involves the entire apparatus of government and administration, and now the Supreme Court will be passing judgment on these operations.

Indira Gandhi is repeatedly described as "heading" or being "surrounded by" some of the most corrupt Ministers and officials. This is the talk of the town. Facts and figures are advanced of sordid deals. In such a climate, what is the ordinary citizen, unable to get his bare needs met in the market, expected to do? Chant slogans mouthed by the political gentry who have dipped their fingers into the messy pie? Sit silent, waiting for the planets to change their inauspicious course? Or go on a rampage, chaotic, anarchic, to get some change out of an unchanging situation? Ask these questions of the young men on any campus and they will use the strongest language to express their disenchantment with this dishonest, disgraceful democracy.

Indira Gandhi has to shock herself out of the tautology into which she has driven herself with her fascist thesis. The people want clean, honest, intelligent government which will give them a fair deal. They are not expecting miracles. But, as always, time is running out. The railway strike, scheduled for April 15, will require decisive decision-making. Will the talks be handled by an incompetent minister with a much tarnished reputation? Will that bunch of ineffective men known as the Railway Board take a hand? How is it that at the most critical points in the national apparatus, we are saddled with thoroughly useless ministers and managers?

Coal and food and oil have to keep moving if this country is to overcome the disaster that will be on us if the railway workers paralyse movement. So far no one knows what issues are involved. What are the demands of the workers? Can they be narrowed down? Are compromises possible? The public knows nothing. One can only hope that those holding the reins appreciate that a railway strike is no "picnic", unlike when the doctors or the Indian Airlines go on strike.

The stakes are certainly bigger, political, even calculated to topple the government. But the mood that permits Indira Gandhi's opponents to attempt this was created by Indira Gandhi's government. It is not willed by Mao and Nixon, much as we would wish it were.

Yes, all this is urban stuff, sparked by the middle class and the 'privileged' worker. The rural base remains largely unaffected. But the spillover will begin. A prolonged railway strike, simultaneous student and teacher actions at several points, and a few other collisions of a communal character could in political terms spell a catastrophic upset. And sitting here in Delhi, there's no feel of the crisis.

In conclusion, let me recount a story that is going the rounds of 'fascist' golfing circles. For sometime now, the Lt Governor of the city, a retired, below-average bureaucrat with appropriate connections, has been golfing in the early hours of the morning. He always arrives with a posse of security men and what-have-you. The other day, one of the many balls he knocks into the bushes got lost. An eight-year-old caddy serving him couldn't find the Lt Governor's ball. He was immediately accused by a flunkey of theft. As if from nowhere, a large number of police descended on the golf course and began to "extract" the truth from the caddy. Meanwhile, the damn ball was found. The workers at the Golf Club went on strike. The members are content to gossip about their Lt Governor. And so our 'fascists' are born. But Indira Gandhi could transform the scene. A simple sacking of a real fascist, and then things would be better all around. If we could expect more sackings, even the railwaymen might decide to exercise patience.

Naive? Maybe. But I think not. We are sick of Parliament debating Coca Cola for 150 minutes at a cost of, I believe, Rs 10,000 a minute.

April 8

Ordeal by Fire

Nireekshak

BELYING the sembre prognostication of Home Minister Uma Shankar Dikshit, *Searchlight* and its Hindi counterpart, *Pradeep*, resumed publication less than two weeks after the attack on their offices and press on March 18. Dikshit, the wizard behind *National* Herald's finances and its Managing Director for years, knows his newspaper economics well. However, returning from an on-the-spot study he almost suggested that the two dailies might not see the light of day again. While replying to the Lok Sabha debate on the Patna incident, he even implied that *Searchlight* could have saved itself had it sought his help, as the rival *Indian Nation* is supposed to have done.

The attack on *Searchlight* and *Pradeep* was clearly premeditated and systematic. The two papers are owned by the Birlas through their sugar mills. *Searchlight* has in the past incurred the wrath of the Bihar government off and on. In 1965 the Chief Minister had editor T J S George detained under the Defence of India Rules because he did not like some of the paper's writings. The next editor too soon became *persona non grata* with the local political bosses. The present government could not have liked *Searchlight's fearless* exposure of the intimidation and other questionable practices that marked the Madhubani assembly by-election in February which ended in a famous victory for the Chief Minister. The paper had, for instance, reported that 6,000 policemen had been deployed in the constituency on special duty for polling day and that bus and train services had been ordered to be suspended on the day of the election, thus hampering the movement of voters and party volunteers in the constituency. The paper had also reported how polling booths had been systematically 'captured' by Congressmen where they were not too sure that the voting would go in their favour in normal course.

The first attack on *Searchlight's* offices, on March 16, was unsuccessful. When two days later the next attack began, frantic telephone calls were made to the Chief Minister and to the Police Headquarters but no help came. To go by Patna reports, the IAS and IPS brass, in consultation with the political bosses, had decided that the agitation by the students had to be discredited and deprived of public sympathy. For the same reason, when the March 18 gherao of the State Assembly went out of control, the police did not intervene. This enabled anti-social elements to take over and convert a political demonstration into an orgy of arson and violence.

The New Delhi bureau of *Searchlight* had no inkling of what had happened in Patna until late in the afternoon. The teleprinter link was dead and the paper's correspondent rushed to the *Indian Nation* bureau to check on news from Patna when a frantic message came on the wire: the *Searchlight* offices had been burnt down and the offices of *Indian Nation* were under attack. The staff was fighting back but there was no police help. The New Delhi correspondent of *Indian Nation* telephoned the Union Home Minister to implore him to intervene. Dikshit might justifiably take credit for saving *Indian Nation* because the police came on the scene in Patna after his long-distance intervention. Law and order is a state subject, but it would seem one has at times to look directly to New Delhi for protection. *Searchlight's* misfortune lay in the failure of its executives to dial New Delhi for help.

It was a touching gesture on the part of *Indian Nation* to have offered all help, including the use of its printing plant, to revive *Searchlight* and *Pradeep*. *Indian Nation* and its Hindi counterpart, *Aryavarta*, belong to the Darbhanga family and enjoy a larger circulation than the rival group. Ironically, the state government, which had allowed *Searchlight* to be reduced to ashes, has made available its textbook printing press to enable *Searchlight* and *Pradeep* to bring out emergency editions until their own press is re-established.

As the older of the two English dailies from Patna, *Searchlight* had recorded contemporary Bihar history over a long period. The files of *Searchlight* were thus a precious source of material for researchers. They have now been destroyed. It is impossible to replace these files as they cannot be got anywhere and had not been microfilmed by anyone.

Dikshit's memorable pronouncements on the *Searchlight* episode did not get reported in the newspapers because his speech was one of the casualties of the decision by the Parliament Press Corps not to report the day's proceedings in Parliament. This was done as a gesture of protest against the denial of medical attention to one of their colleagues, K Subramaniam of the PTI, who had had a heart attack in the Lok Sabha Press Gallery earlier in the day. After news came that Subramaniam had died, the Press Galleries in both the Houses were empty, except for the All-India Radio correspondents and Press Information Bureau officials. The AIR correspondents too had abstained for a couple of hours, but then they were ordered to resume reporting. Their predicament was understandable since the AIR staff comes under the Service Conduct Rules. The next day Speaker departed from convention when he made a reference in the Lok Sabha to K Subramaniam's death and the House observed a minute's silence.

Parliamentary reporting carries no special occupational hazards, if attracting the privilege of members or of the House is not listed as a hazard. On the contrary, it brings several fringe benefits — access to the subsidised restaurant meant for MPs and their guests, the facility of being able to buy unadulterated ghee and good quality coffee powder at low prices and the privilege of acquiring exclusive blends of tea meant only for MPs ('Parliament' and 'Sansad' are the rival brands). All the same, it is sad to be reminded that a reporter who had covered Parliament for years could not get medical aid for 35 minutes after a heart attack while on the job.

Dunlop India

THE Directors of Dunlop India have recommended a final dividend on ordinary shares at the rate of Rs 1.25 per share, subject to tax, for the year ended December 31, 1973. Together with the interim dividend of 75 paise per share already paid, this makes a total ordinary dividend of Rs 2 per share for the year, the same as for 1972. Dunlop India's total income for the year at Rs 102.58 crores was 6.4 per cent higher than the previous year's mainly due to higher sales volume made possible by increased production at both the company's factories, in spite of continuous power cuts. The balance from trading amounted to Rs 7.94 crores, an increase of Rs 2.18 crores over the previous year.

Diversification Pays

Hansavivek

CENTURY SPINNING, already engaged in manufacture of diverse items such as textiles, cotton, rayon and tyre yarn, sulphuric acid, carbon-di-sulphide, caustic soda, salt and cement, is exploring possibilities of further diversification. The management will inform shareholders about the plans when they take concrete shape. Meanwhile, the company's pulp project has not made any progress. The cement project, being set up at Tilda with a capacity of 6 lakh tonnes per annum, is now expected to go into production in the next few months. Some delay has occurred owing to the delay in delivery of the main equipment by AVB. A 'letter of intent' has also been secured for establishing a cement plant at Maihar in Satna district of MP for manufacture of portland cement with an annual installed capacity of 7,50,000 tonnes. The management is trying to get a mining lease for limestone. The project to set up a textile spinning mill as a joint venture company in Indonesia is progressing. Trial production is expected to start in about a year. With a change in the conversion rate of Indian currency, Century's participation in the equity capital of the Indonesian company will now be about Rs 39 lakhs. The total value of plant and machinery to be exported from India for the project is expected to be around a crore of rupees.

Century has turned out good results for 1973, with higher sales and profits. Margins have also looked up, with both ratios of inventories and wages to sales lowered over the year. The current year, which began with a 41-day strike in Bombay's mill industry, is also likely to be adversely affected on account of scarcity and high prices of cotton and other raw materials, stores and chemicals. Last year, 39 automatic looms, 25 plain looms and 14 ring frames and some other ancillary machinery were replaced. Further renovation of the textile mills is under way. The availability of various raw materials required by the rayon plant is causing concern to the management. The company exported last year 1,030 tonnes of rayon tyre yarn and fabrics to various countries, including Japan, New Zealand, Australia and Netherlands. Total exports of rayon yarn, tyre-cord, chemicals and fabrics amounted to about Rs 2 crores. Total exports of the textile section ag-

The Week's Companies

(Rs in Lakhs)

	Century		BASF India		United Carbon		Union Carbide	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year * 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 25-12-73	Last Year 25-12-72
Paid-up capital	710	860	70	70	280	155	1228	1228
Reserves	3007	1864	51	48	209	312	1432	1209
Borrowings	418	582	74	39	9	—	519	976
of which Term borrowings	210	274	—	—	—	—	327	411
Gross fixed assets	5291	4715	195	173	419	397	4103	3811
Net fixed assets	1845	1466	97	97	236	162	2279	2277
Investments	49	53	—	—	—	—	1	1
Current liabilities	1366	1914	108	60	256	162	429	471
Current assets	3608	3700	207	119	518	467	2037	2138
Stocks	1561	1386	88	60	131	78	1638	1680
Book debts	1257	1528	117	56	330	344	360	405
Net sales	5977	5167	431	424	554	573	6709	6155
Other income	152	208	34	38	9	6	45	41
Raw material costs	1729	1612	115	112	251	215	3063	2700
Wages	1303	1205	57	72	24	22	1105	1110
Interest	51	49	7	10	2	1	70	70
Gross profit (+)/loss(—)	1491	1247	50	65	149	237	1381	1302
Depreciation provision	186	231	19	25	30	31	343	271
Tax provision	850	710	19	12	67	123	630	635
Net profit(+)/loss(—)	455	306	12	28	52	83	408	396
Development rebate provision	19	36	2	1	4	6	32	42
Transfer to reserves	190	44	2	15	14	46	130	108
Dividend								
Amount	P 12 E 234	13 213	P 2 E 6	3 9	E 34	31	E 246	246
Rate (per cent)	P8.57 E 33	8.57 30	P 9.5 E 12	9.5 17	E 12	20	E 20	20
Cover (times)	1.81	1.20	1.33	2.66	1.41	2.50	1.53	1.44
Ratios (per cent)								
Gross profit/sales	24.94	24.13	11.60	15.33	26.90	41.37	20.59	21.15
Net profit/capital employed	13.85	9.25	6.15	13.83	10.44	17.77	12.83	11.60
Inventories/sales	26.12	26.82	20.42	14.15	23.65	13.61	24.42	27.29
Wages/sales	21.80	23.32	13.22	17.00	4.33	3.83	16.47	18.03

* 18 months.

gregated Rs 2.70 crores against Rs 1.01 crores in 1972.

BASF INDIA has turned out poor results for 1973. Although turnover increased by 50 per cent over the preceding 18 months on a proportionate basis, profit-margins were lower and the 12 per cent dividend is thinly covered. This outcome is ascribed to a higher proportion of low-margin goods in the 1973 turnover, coupled with 'substantial' increase in the cost of raw materials which was not always matched by increase in selling prices. The directors find it difficult to predict with any certainty the current year's prospects because of the difficult supply position of indigenous raw materials. They actually view the future "with some apprehension". The company has come under the purview of the Foreign Exchange Regulations Act, which came into force from January last, as the foreign collaborators' holding in the capital exceeds 40 per cent. Necessary applications are being filed with the RBI. The company has applied for recognition of its research and development unit.

UNITED CARBON INDIA is considering possibilities of diversification of its activities through research, as margins on carbon black are shrinking rapidly. Meanwhile, preliminary steps have been taken to expand capacity of carbon black to 35,700 tonnes per annum. The company's application for increase in the licensed capacity, made in mid-1970, was granted in January last after prolonged discussions. During 1973, the company produced 29,339 tonnes against the licensed and installed capacity of 17,850 tonnes. While sales were only marginally lower, gross profit plummetted by more than a third to Rs 149 lakhs. Both the ratios of inventories and wages to sales were considerably higher compared to the previous year. Dividend was reduced from 20 per cent to 12 per cent on the enlarged capital. Selling prices were increased by way of 'oil surcharge' following the phenomenal increase in the cost of feedstocks.

UNION CARBIDE INDIA is expanding the seafoods business and has secured an industrial licence to process seafoods at Visakhapatnam. In order to catch more shrimp, seven more trawlers of modern design are proposed to be procured indigenously. The company stepped up exports of shrimp last year by Rs 34 lakhs to Rs 73 lakhs although its total exports could rise by only Rs 17 lakhs at Rs 165 lakhs. Increase in shrimp exports apart, a sharp rise in production of electrolytic manganese dioxide towards the year-end also enabled the company to commence export of part of the output. If world-wide shortages continue, these exports are likely to show an upward trend. But exports of batteries have been lower. It is stated that increasing overseas competition, virtual closing of many markets abroad, and shipping problems affected export of batteries last year and that, with many countries embarking on local production, future export prospects are likely to remain uncertain. UCI's total sales could increase by only 8 per cent last year, because of difficulties in obtaining materials, a strike at Madras, and minor repetitive labour problems at other locations. Production of flashlight cases, zinc, and carbons, was maintained at levels required by their sales. Profit margins were slightly lower compared to the previous year because raw material costs increased considerably, though both inventories and wages in relation to sales were lower. The unchanged dividend, of 20 per cent, has a slightly better cover. The board has also recommended issue of bonus shares on a one-for-two basis and has declared its intention to pay a dividend of "not less than 14 per cent" on the enlarged capital.

TRADE-WINGS, the largest travel agency in India which is also engaged in clearing and forwarding, is now diversifying into the hotel business by setting up a 3-star hotel on the Bogmalo beach, 3 km from Dabolim airport in Goa. The hotel will have 126 rooms with 252 beds and will be operated by Oberoi Hotels (India) which has wide experience and an international reputation in the field. Having a network of 11 offices in India and with plans to open branches in New York and London, the company expects a high occupancy rate for the hotel. With the proposed modernisation of Dabolim airport, it may also be possible to bring foreign tourists in chartered flights directly to Goa. The capital outlay on the project, estimated at Rs 107 lakhs, is proposed to be financed by equity capital of Rs 41 lakhs and long-term loans of Rs 66 lakhs. The public is being offered 3 lakh equity shares of Rs 10 each at par to raise part of the finance required for the project. The subscription list will open on April 29 and close on May 11 or earlier, but not earlier than May 4. The company's business has been growing. It has built up reserves and paid dividends regularly since 1958. The total turnover last year was over Rs 7 crores and is expected to increase this year to Rs 9 crores. Although the hotel is expected to start operating from mid-1975, the management hopes that the company will be able to pay a dividend of 10 per cent on the enlarged capital from April 1974 and to step it up gradually thereafter. The company paid 14 per cent for 1972-73. The board is headed by Arvind N Kilachand.

GUJARAT MINISTEEL, a new company, is putting up a steel ingot casting plant with a capacity of 18,000 tonnes per annum at Ahmedabad, where it has the locational advantages of availability of scrap and adequate power and also has an assured market for its products. The company has got a COB licence. Mukand Iron, an established leader in the field, is supervising the erection of the plant which is likely to go on stream in May or June next. Total cost of the project is estimated at Rs 115 lakhs, which is intended to be met by share capital (Rs 40 lakhs) and loans and deferred-payments (Rs 75 lakhs). The company is entering the capital market on April 29 with a public issue of Rs 24 lakhs in equity shares of Rs 10 each. The subscription list will close on May 9 or earlier, but not before May 2. Since orders for plant and machinery were placed by promoters as far back as in July 1972 and prices have since increased considerably, the company stands to benefit by Rs 10 lakhs. Moreover, it will also be in a position to gain the benefit of a development rebate of Rs 15 lakhs. According to the management, the company's turnover should rise, from Rs 277 lakhs in the first year of production to Rs 333 lakhs in the third; and gross profit should rise from Rs 36 lakhs to Rs 43 lakhs in the same period. On this basis, the shareholders may expect the company to pay a dividend of about 10 per cent out of the earnings of the first year of production. The buildings and other facilities have been so designed as to provide for a second furnace and a continuous casting machine. The company is seeking an industrial licence for this purpose. Viren J Shah, chairman and managing director of Mukand Iron, is chairman also of this company. Other directors include V C Patel, Ramkrishna Harivallabhdas and M L Shrikant.

NEW DELHI

World Bank, Our Saviour

B M

A COMPLETE lack of credibility marks the working of the government. No one, therefore, takes seriously the denial by the Food and Agriculture Ministry that efforts are under way to arrange for imports of foodgrains. It will be recalled that reports from Washington had suggested that India was in the world markets for purchase of as much as 4 to 5 mn tonnes of foodgrains this year. These reports had further suggested that some purchases had already been made in the US market for shipment to India. There can be no escape for the government from importing foodgrains this year. This is the simple logic of the decision to abandon the take-over of wholesale trade in wheat and to hand it back to private traders.

Much has been said about the failure of the trade take-over experiment. But where exactly was the failure? The fact is that 7.6 mn tonnes of foodgrains were procured from the 95 mn tonnes produced in 1972-73. This was only 0.8 mn tonnes lower than the procurement in the previous year which was out of a much larger output of 105 mn tonnes. Besides, 1971-72 was a year of easy availability of foodgrains and steady prices. Of the total procurement of 7.6 mn tonnes in 1972-73, nearly 4.5 mn tonnes came under the trade take-over scheme. This was almost the entire quantity of wheat that normally comes to the market. Since the aim of the talk-over scheme was no more than to acquire the marketed surplus in wheat, the scheme should really be regarded as having been a success.

Even this order of procurement last year was found to be insufficient to satisfy the demands on the public distribution system. The off-take from the system was 11.4 mn tonnes in 1973. The stocks with the government had, therefore, to be supplemented by imports. Arrangements were made for import of 6.2 mn tonnes of foodgrains during the year, including the 2 mn tonne wheat loan from the USSR. Out of this, nearly 5 mn tonnes actually arrived in the country during the year.

What are the prospects of procurement from internal production in the current year after the decision to return the wholesale trade in wheat to the traders? From the bumper kharif crop of 67 mn tonnes, the procurement has been about 3.3 mn tonnes so far. The rabi crop, which is now coming to the market, is not rated very good. Total foodgrains production in 1973-74, which was planned to be 115 mn tonnes, had already been scaled down to 110 mn tonnes in the Economic Survey presented to Parliament in February. The Agricultural Prices Commission, in its report on the price policy for rabi foodgrains submitted in March, further lowered the estimate to 105 mn tonnes. And now the latest estimates place the figure at 100 mn tonnes, which means that the rabi crop will be no more than 33 mn tonnes. There are other, more pessimistic, estimates which put foodgrains production in 1973-74 at 95 mn tonnes or the same as in 1972-73. Wheat production is generally estimated between 22 and 24 mn tonnes.

In the circumstances, how much of this low output will the government be able to procure? Under the new wheat trade arrangements, the government has placed its main reliance on private traders, who are expected to hand over to the government one-half of what they purchase from the producers at the fixed procurement price of Rs 105 per quintal. The rest the traders will be allowed to sell in the market. It is naive to believe that the traders will hand over to the government anywhere near 4.5 mn tonnes, the quantity procured last year when the wholesale trade in wheat had been taken over. Past experience suggests that not more than about 5 mn tonnes of wheat comes to the recognised markets and purchase points. The maximum that the government may expect to get can thus be no more than 2.5 mn tonnes, assuming that the traders actually hand over to the government half of what they buy. This is, of course, an entirely unrealistic assumption. The fact is that total arrivals in the regulated markets, over which alone the government can keep some kind of close watch, amount to perhaps no more than 2 mn tonnes, of which the government's share will not exceed 1 mn tonnes.

A development of far-reaching significance which has been under way for some time and which has received an added momentum as a result of the partial and half-hearted take-over of wheat trade last year and its reversal in the very next year, is the collusion between the large producer and the trader in the marketing of foodgrains and of wheat in particular. In many cases, the producer has acquired the senior status in this partnership and has tended even to grow into an altogether independent trader. The effect of this is that the proportion of wheat which will arrive in the regulated markets may further shrink so that the farmer-trader can avoid having to part with a part of it to the government at fixed procurement prices. For all these reasons, what the government may expect to procure in the current rabi marketing season is unlikely to exceed 2 mn tonnes — it may turn out to be even less — compared to the procurement of 4.5 mn tonnes last year.

With this order of procurement and with opening stocks of no more than 2.8 mn tonnes, the government cannot possibly meet the demands on the public distribution system from domestic supplies. This will be true even if the scale of operation of the public distribution system is drastically cut down. The government clearly has no intention of undertaking public distribution of foodgrains on last year's scale. The indications are that public distribution will be restricted to consumers in large urban concentrations and sensitive industrial areas, leaving the rest of the population to fend for themselves. The total quantum expected to be distributed is about 7 mn tonnes as against last year's 11.4 mn tonnes. But even after chopping up the public distribution system so drastically, the government will still not have enough foodgrains if there are no imports. By its failure to take effective measures to procure foodgrains domestically, the government has made imports inevitable.

How is the import of foodgrain to be financed? It does not seem likely that the Soviet Union will come forward once again with another wheat loan. Even if it does, the quantity involved will fall far short of requirements. It is not surprising, therefore, that there has been a dramatic change in the government's attitude to foreign aid, particularly aid from the Western countries. All talk of self-reliance and progressive reduction in aid flows has been stilled. New Delhi is now awaiting with bated breath the outcome of the World Bank's efforts to induce the

members of the Aid-India Consortium to step up their aid to India.

The reaction outside the government to the World Bank's working paper on India's aid requirements is, therefore, completely off the mark. Some leftist circles have seen in the World Bank's efforts yet another assault on the government's commitment to self-reliance. This is truly ridiculous. A perusal of the working paper will show that it has been prepared in close consultation and collaboration with the Government of India and its officials. The government is, if anything, extremely gratified that its efforts to convince the World Bank of the enormity of its aid requirements have been so successful and that the Bank has lent such powerful support to its own efforts to get as much aid as it can. The government's reliance on the benevolence of the World Bank and the Consortium countries is total.

This is borne out by the import control policy for the current year announced by the Commerce Ministry. The Ministry has actually chosen to further liberalise imports. To the question how the liberal imports are to be financed, the Ministry's answer is simple: the aid situation is hopeful. The import policy is formulated on an *ad hoc* basis, for the first half of the financial year. The hope is that the aid position will become clear in the next three or four months. It is again the expectation of generous foreign aid which has persuaded the government to shelve proposals to reduce the inflow of crude oil.

No one seems to be bothered about what may happen if the expected aid does not materialise. Even more remote is any thought of the longer term implications of such total reliance on foreign aid. The government is concerned only with how it can avoid certain difficult decisions — such as formulating a more selective import policy or devising measures to cut the consumption of petroleum products or taking steps to procure enough foodgrains out of domestic production to keep the public distribution system going even on the present inadequate scale — through the generosity of other countries.

STEEL

Perverse Priorities

(From a Special Correspondent)

THE problems of steel have unfortunately become a question mainly of inter-personal relations in the agencies concerned with steel production. The chairman of the Steel Authority of India Limited (SAIL), who is also Secretary to the Ministry of Steel and Mines, has been put on a sort of probation by the new Minister, K D Malaviya. The combination of SAIL chairmanship and the secretaryship of the Ministry in one person was a last-minute decision of the late Mohan Kumaramangalam. Kumaramangalam's sudden death revealed the basic flaws in the concept. When T A Pai was *ad hoc* Minister for Steel for several months, he had a surfeit of difficulties with the SAIL set-up. K D Malaviya's instinctive approach, on taking over, was to delink the ministry and SAIL. Malaviya has not given up this idea and an IAS Steel Secretary is still on the cards. But, meanwhile, he wants the SAIL chairman to go ahead with some other structural reorganisation, especially the break-up of Hindustan Steel.

The main problems of the steel industry, over the past five years since the expansion of the public sector plants, have concerned production. However, perhaps reflecting the orientation of the organisation's top management, the SAIL's accent has been on the details of distribution. Distribution is, of course, of the essence in steel or any other commodity in short supply. It is vital whether a friend of a Rajni Patel or a follower of a Priya Ranjan Das Munshi gets priority permits for scarce items. The scarcer the items the better the deal. Last year pig iron too was a premium item. Not that previous ICS chairmen and general managers of the steel complexes were totally innocent of political motivations, but they did not have the mastery over craftsmanship needed for operations on a scale demanded, for instance, by the elections in UP or Orissa. One of the proposals being bandied about by SAIL is the appointment of agents, instead of establishing more public sector stockyards. Such a break with established practice may not be too difficult to push through after the major reversal of policy on wheat trading.

K D Malaviya has made a primary decision, which is to hasten the split-up of Hindustan Steel into separate units at Bhilai, Durgapur, Rourkela and the coking coal concern at Jharia. But autonomy for these units will be a myth if the present role of SAIL continues. As it is conceived now, SAIL will name the managements of the subsidiaries whose boards may be expected to be dummies. In recent years, except during the period of K T Chandy's stewardship of Hindustan Steel, the general managers of the various plants have had considerable autonomy in day-to-day operations. If these powers were not exercised fully, it was partly because of voluntary self-denial by the general managers.

There are other reasons, apart from the tight grip which the SAIL's present chairman wants to retain over them, why the current talk of autonomy for the steel plants cannot be taken seriously. In fact, there are not many things about which the steel plants can be autonomous. There is no question of competing for the best raw materials or transport facilities. Wages in the steel industry are fixed nationally and the product mix of each plant was built-in at the time of construction. What they will produce will also continue to be fed through a joint plant committee. And pity the Durgapur general manager dealing autonomously with West Bengal Ministers!

In the year ended March 31, 1974, the plants of Hindustan Steel are expected to lose between Rs 25 crores and Rs 30 crores, despite the hefty price increases granted in mid-September and mid-October 1973. The increases totalled Rs 300 per tonne of saleable steel on average. At the 1972-73 levels of production, the higher prices should have increased the cash flow of the plants by about Rs 100 crores a year. According to the calculations of the Finance Ministry, good operations in the mid-seventies should yield an extra Rs 200 crores a year to the public sector steel industry at the current prices, compared to the income levels of 1972-73.

Fortunately for SAIL — and perhaps even for TISCO — the labour problems of the railways in recent months have come as a convenient cover-up for the lapses of the steel plants. Past bad maintenance of coke ovens is now being camouflaged by cries of structural damages newly caused by asphyxiation as a result of the shortage of coal supplies. TISCO's steel plant

capacity was doubled to 2 mn ingot tonnes 15 years ago, but its captive mines (not nationalised) are still capable of feeding the Jamshedpur plant for only half its present capacity. Whether the Tatas neglected the expansion of the captive coal mines or whether it was the government which prevented the expansion is a matter to be closely investigated. Similarly, SAIL has neglected coal-raising programmes for several months, though Bharat Coking Coal was placed under it. The result is that the coal mines are incapable of digging up enough coal to meet the steel plants' needs.

In the year ended March 31, 1974, the production of saleable steel by the five integrated steel plants was about 450,000 tonnes less than that in 1972-73 and about one mn tonnes below the original target for the year set by Mohan Kumaramangalam. The three HSL plants produced 2.8 mn tonnes of saleable steel (compared with nearly 3 mn tonnes in 1972-73), TISCO produced about 1.2 mn tonnes, a fall of about 300,000 tonnes, and IISCO 358,000 tonnes. Now there are reports that TISCO will need external supplies of coke to keep up production because one of its coke oven batteries needs restructuring. The government's first thoughts were to aim at 5.5 mn tonnes of saleable steel in 1974-75 but now the target is to be kept around 5 mn tonnes. This would mean a little over 60 per cent utilisation of installed steel-making capacity, excluding Bokaro. In two months of operation of its first steel melting shop, Bokaro has produced 20,000 tonnes of steel ingots. Bokaro produced more than 650,000 tones of pig iron in the past year.

There is no money for steel development or, for that matter, even for proper maintenance of the steel plants this year. The budget provides about Rs 160 crores for SAIL. At least Rs 10 crores a month are needed for continuing with the construction of Bokaro. Bharat Coking Coal is being given a paltry Rs 30 crores which is less than half of what it could profitably put to use. The Bhilai expansion programme needs around Rs 60 crores during this financial year, but there is no provision for it in the budget. If the plants of Hindustan Steel and Bokaro are not provided with funds for capital expenditure, the Heavy Engineering Corporation, Bharat Heavy Electricals, and other public sector fabricators in turn will be starved.

Meanwhile, SAIL seems to be concerned with obtaining higher prices for the smaller quantities of steel that are available. Arbitrary price hikes have become an accepted general policy of the government and the predatory instincts of the private sector are reflected in the new demands from SAIL for still higher steel prices. The Steel Ministry and SAIL should be really worrying about the problem of reducing the continued waste of steel. But this is obviously asking for too much. De luxe building construction and de luxe furniture making, among other activities, are essential to create the uncontrolled profits for selected sectors which in turn finance the country's parliamentary democracy

INDUSTRIAL DEVELOPMENT

Accent on Administrative Trivia

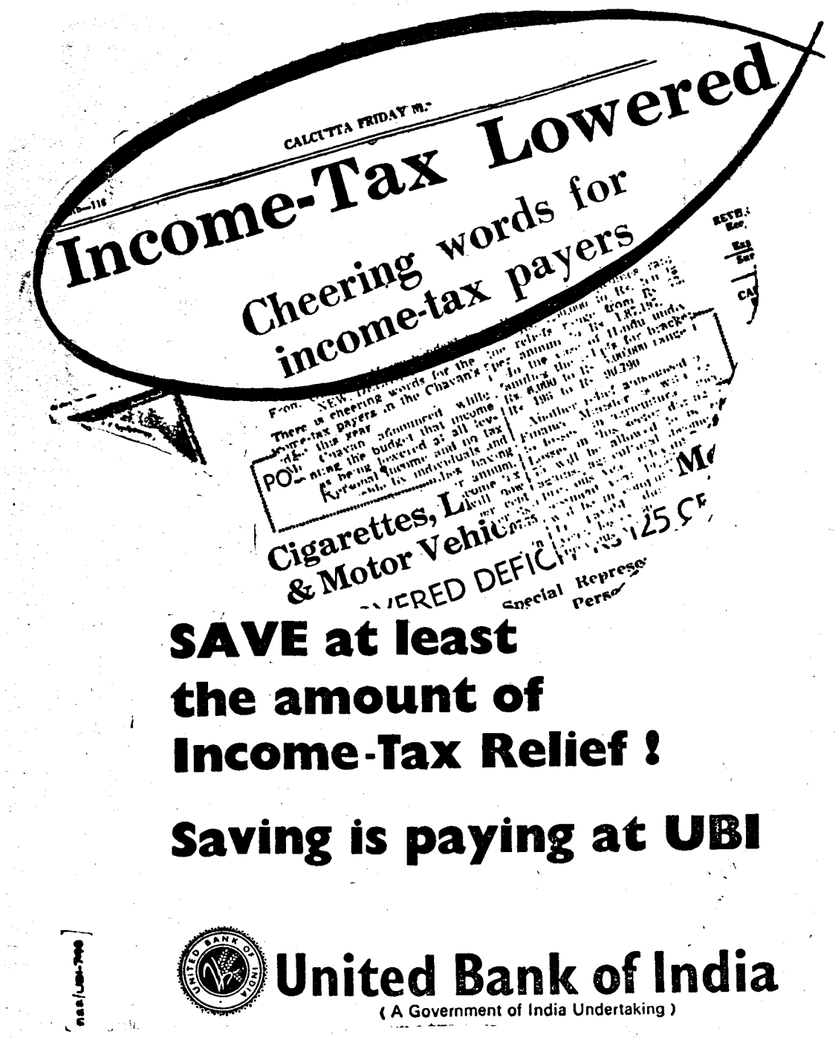
(From a Special Correspondent)

AS they were originally conceived of, the Annual Reports of the various ministries and departments of the Government of India, which are presented to Parliament before it takes up discussion of their respective budgetary demands, were expected to provide critical reviews of their working, of the policies and programmes pursued and of the success achieved and the shortfalls noticed. However, over the years, despite the induction of a large number of economists into the government and the creation of a separate Indian Economic Service, these Reports, particularly of the economic ministries, have been reduced to mere compendiums of administrative trivia.

Take, for instance, the Annual Report for 1973-74 of an important ministry such as that of Industrial Development, which has been just published. Among other things, the Report claims to present a review of the "trend in production" in 1973. However, it could not have done this in a more superficial, off-hand manner. First, the review is based on the index of industrial output for just the first six months of 1973 when data for later months must have been available. Last year's Report, for instance, contained data for the first nine months of 1972. And judging by the Economic Survey for 1973-74, the Ministry must have had available to it production data for individual industries upto September 1973. A thorough review of the performance of different industrial groups on the basis of these data should have been expected of the Ministry's Report. Worse, the Ministry is at times guity of complete misrepresentation of facts. Thus it says: "An adequate and timely monsoon has presaged a welcome revival in the production of a number of agriculture-based industries such as cotton textiles, jute manufactures, sugar and vanaspati." Contrast this with what the Economic Survey, 1973-74, had to say: "While it is difficult to generalise on the basis of data for six months alone, it is clear that the most important group, *viz*, textiles, suffered a setback". In fact, the output of 'textile manufactures' as a group declined by 4.5 per cent during January-June 1973. Likewise, the Economic Survey had pointed out, "shortages of oilseeds and oils, and power cuts in the northern parts of the country, affected the vanaspati industry". Later data available for 1973 as a whole show a fall in output of 3 per cent in cotton cloth, one per cent in cotton yarn, 7 per cent in jute textiles and possibly over 10 per cent in vanaspati. Among the agriculture-based industries, the only important one to show improved output was sugar. It is incredible that a ministry which is supposed to be responsible for industrial development should be so wide of the mark in its appreciation of the basic facts of the industrial situation.

After this it was only to be expected that the analysis of the causes of the stagnation of industrial output in the Report should be superficial. The Report talks of power shortage and lack of coal, pig iron and cement; it also refers to international factors and the steep rise in the prices of imported raw materials like petroleum products, steel and non-ferrous metals. While these surface issues are laboured there is not even a reference to the primary cause of the industrial stagnation — inadequate industrial investment, particularly in the public sector, stretching over the last eight or nine years.

And what does the Ministry of Industrial Development propose to do about the problem? The report has a section dutifully titled 'The Prospect for 1974'; but neither in this section nor elsewhere is there a discussion of policies and programmes to step up industrial growth. What we have are vague ex-



pressions of hope. Thus, "in 1974 industrial production prospects appear, assuming a normal monsoon in 1974, to be better than in 1973". Similarly, the outlook for coal, steel and power is also deemed to be better because "a significant increase in coal production, from 79 million tonnes to around 95 million tonnes is being planned, and steel production is expected to improve from the low levels reached in 1973, by anything between half a million and a million tonnes". These are castles in the air. In the first place, the target of 79 million tonnes of coal production in 1973 is unlikely to be achieved. Second, even if it is a considerable part of the rise in coal output it is likely to be statistical because of, as the Economic Survey points out, "under-reporting of production in the period prior to take-over of non-coking coal mines in January 1973".

Apart from these vague hopes, for which there is no basis, the Ministry appears to pin its faith on the so-called streamlining of administrative procedures for licensing and the like. It has apparently still to dawn on the bureaucracy that the stagnation in industrial investment for the last nearly a decade has had very little to do with administrative procedures. Such restrictions as there have been on paper have in practice been disregarded by industrialists with the connivance of the bureaucracy. The number of industrial licences issued has risen sharply from 221 in 1969 to 363 in 1970 and further to 626 in 1971; in both 1972 and 1973 the number was 596. Similarly the number of letters of intent rose from 331 in 1969 to 438 in 1970 further to 1,015 in 1971; in 1972 and 1973, the number was 877 and 899, respectively. This smart spurt in the grant of licences and letters of intent made almost no difference to the picture of industrial investment — certainly not in real terms. In the circumstances, one would have expected the Ministry to look a little more closely into (i) what proportion of licences have remained unimplemented and why; (ii) who are the parties who have pre-empted the licences; and (iii) what have been the industrial priorities reflected in the licences issued and how far they fit in with the Fifth Plan's priorities. Similarly, it might have been revealing to enquire into the rationale of the over 500 foreign collaboration arrangements approved in 1972 and 1973 together and how they fit in with the objectives of import substitution, technological self-reliance and encouragement of indigenous research and development.

If the Industrial Development Ministry had looked into these matters, it would have found that the answer to the problem of stagnation in industrial investment did not lie in tinkering with administrative procedures. The key element missing was public sector investment though it is in the name of such investment that the Central and state governments appropriate over 70 per cent (about Rs 3,500 crores) of total domestic savings every year. In terms of purchasing power, their aggregate budgetary resources amount to over Rs 14,000 crores or 30 per cent of the national income at current prices. A vast proportion of these resources are dissipated on consumption expenditure. As long as this tendency continues, there can be no hope for industrial investment and employment.

Projects on Paper

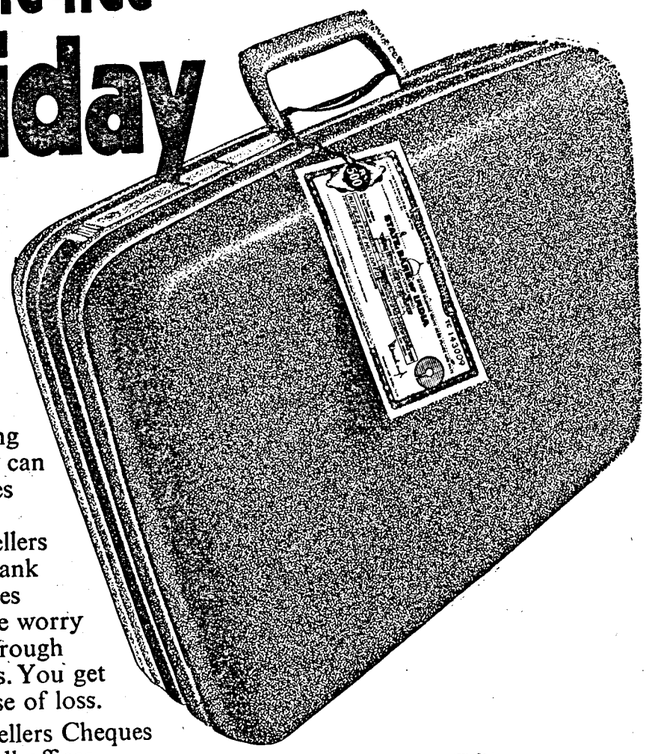
It is perhaps too much to expect this degree of perception from a Ministry which gets mixed up over simple facts and maintains that the output of cotton textiles went up in a year when in fact it had declined. But the Ministry's Annual Report might have been a little more illuminating on the performance of individual industrial units under the Ministry. Even this it does not do. Take the instances of the Cement Corporation of India and the Hindustan Paper Corporation which were set up as the answer to the poor investment by the private sector in cement and paper. What has been the performance of these corporations?

Hindustan Paper Corporation was set up in May 1970 and the 1970-71 Report of the Ministry of Industrial Development had disclosed that three projects, viz, the Nagaland paper/pulp project, the Kerala newsprint project and the Assam paper/pulp project had been entrusted to it. The Report had claimed that: "The initial action on the implementation of the above projects has already been started by the Corporation and it is anticipated that appreciable progress would be made during the next year and the orders for the machinery would also be placed during that year. It is expected that the Nagaland and Kerala projects might go into production by the end of 1973-74." Now, three years later, in its Report for 1973-74, the Ministry says, without the slightest trace of guilt, that "the [Nagaland] project has been cleared by the Central Government and the Corporation has already placed orders for plant and equipment. The project ... is expected to go into production by 1977". The position of the Kerala project is worse still. Here the Report says: "The site has already been located and acquisition proceedings are in progress. The raw materials, viz, eucalyptus and reeds have already been tested through mill-scale trials runs and found suitable." This is how the Ministry's Report for 1972-73 had described the position of the project: "The site has already been acquired and preliminary steps have been taken ... Action to place orders for plant and machinery is being taken." In the case of the Assam project, the statements contained in the Ministry's Annual Reports for the two years are even more identical: "The investment decision in this case is expected to be taken very shortly. Necessary preparatory work is already in progress" (page 34 of the 1972-73 Report and page 31 of the 1973-74 Report). The Ministry apparently does not feel called upon to provide any explanation of why major industrial projects under its charge have lagged so far behind schedules. Here at least one hopes that the blame will not be pinned on industrial licensing.

What useful purpose, one wonders, is served by the Central Advisory Council of Industries, with as many as 30 members? Likewise, what is the role of its sub-committee which is supposed to review all industrial licences issued, refused, varied, amended or revoked from time to time and to advise the Central government on the general principles to be followed in the issue of licences, etc?

Finally, is it not time the government admitted the futility of the Sarkar Commission on Large Industrial Houses and wound it up? The Commission was appointed in February 1970 to look into instances of irregularities, particularly those committed by the Birla group, brought out by the Report of the Dutt Committee. The Commission was expected to submit its report in a year. That deadline expired three years ago and now the Commission's term has been extended up to 1975. In the meantime, all the irregularities, lapses and improprieties — such as pre-emption of licences by the large houses, appropriation of a disproportionate share of the assistance extended by the term financing institutions by these houses, etc — flourish with impunity. If nothing else, the pace of growth of the assets of the large industrial houses after the Commission's appointment should make A K Sarkar see the futility of his endeavours.

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Non-Capitalist Path and All That

Ranjit Sau

Asian Dilemma: A Soviet View and Myrdal's Concept by R Ulyanovsky and V. Pavlov; Moscow: Progress Publishers, 1973.
Industrialisation of India by G K Shirokov; Moscow: Progress Publishers, 1973.

A TWO-SECTOR dynamic Leontief model for India would have provoked sharp controversy among Indian economists. An application of Samuelson's non-substitution theorem for planning of India's industry would have quickened their heart-beats far more. They would have lapped it up if it were yet another conjecture of Hicks. But the two books under review are not likely to stir even a minor ripple in the tranquil waters of our academic world. And yet these two books in due course may imperceptibly cast their influence on a wide circle of students, intelligentsia and politicians. You may dismiss these books as mere propaganda rubbish wrapped up in the veneer of serious research; but there are others who would canonise these works as the epitome of the correct application of the universal truth in concrete historical specificities. Like it or not, Ulyanovsky, Pavlov and Shirokov have made an interesting attempt to elaborate the line that originated in the 20th Congress of the CPSU in 1956.

Beneath the surface of rumbling details which are occasionally quite revealing there lie embedded pronouncements on such fundamental questions as the class character of the Indian state, the political-economic crisis in India during the late sixties, the split in the Congress party, and the path of transition to socialism for a country like India. These are sprinkled here and there amidst discussion of some other issues, now with the easy abandon of an axiom, now with the confident air of a rigorous theorem. In the first book, Myrdal in effect is but a peg to hang 'a Soviet view' on; and although the canvas in principle extends over the entire South and Southeast Asia it is India which the authors have particularly in mind for it is this country which they claim to "have studied most and know best". The other book is straightaway a study of India's industrialisation, but with an implicit intent to vindicate Soviet formulations with regard to developing countries in the Third World. The two books are mutually complementary. These are the recent harvests of the crop that was sown nearly two decades ago; all the Soviet literature cited there are dated post-1956.

Capitalism Cannot Develop

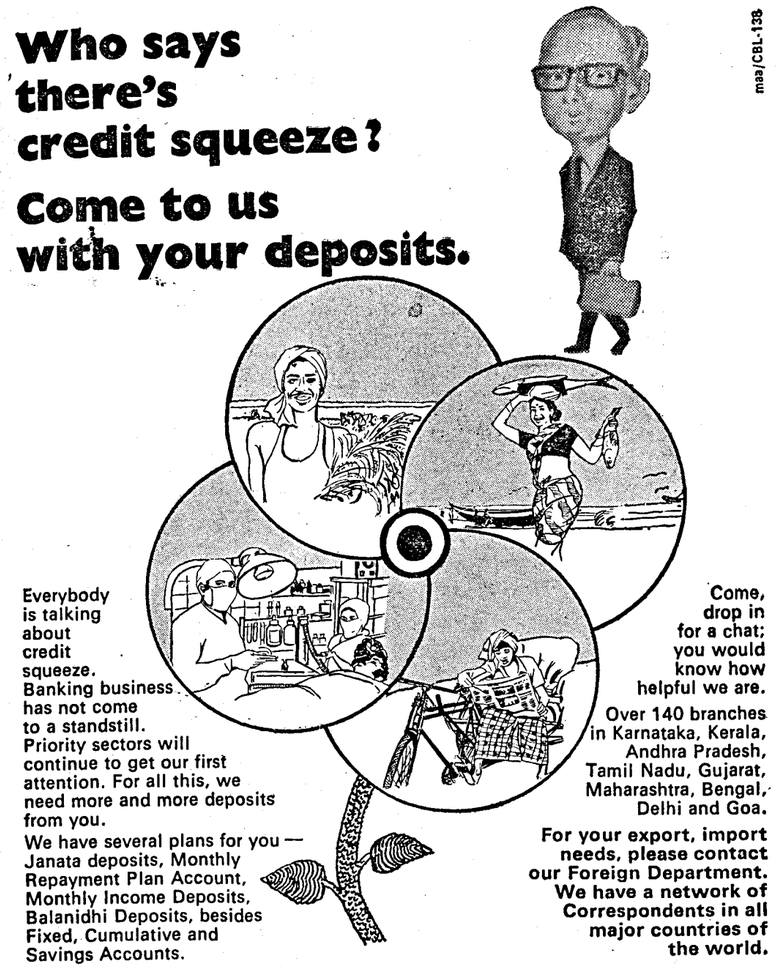
In the aftermath of the Second World War as colonial outposts fell, one after another, bourgeois intellectuals spun a dream that the Third World would become a reserve, a source of rejuvenation of capitalism. But in the present conditions capitalism is not historically inevitable for newly-free countries in Asia and Africa; nor are they doomed to become an appendage of the world capitalist system. The former colonial countries have opened for them the prospect of avoiding capitalist development during the general democratic stage of the national liberation movement. It is now *possible* for nations with a backward economy and poorly developed social structure to avoid, with the support of the socialist countries, the stage of capitalism in general or the stage of advanced capitalism in particular.

Countries of South and Southeast Asia have a multi-structural society consisting of pre-capitalist as well as capitalist modes of production that is deeply rooted in history. This pattern of society, where archaic traditional relations hold sway in a wide sphere, is not historically unique. Other parts of the world at other times have witnessed multi-structural societies in which economic development, especially on a new organisational and technical basis, was for a long time resisted by the conservative social environment, and was confined within the narrow zone of capitalist relations. In England, for example, prolonged and bloody internecine wars among feudal lords, the break-up of the feudal armed bands, the eviction of millions of peasants from the land, and, lastly, a revolution which beheaded the king were needed to give capitalist progress wide access to the sphere of traditional relations. The uniqueness of the current situation in Asian countries is not in the existence of a socio-economic environment in which the dynamism of the economy is hampered and finally stifled, but in the fact that the problem of pre-capitalist structures has to be solved now in an entirely different world economic context.

The way for the spread of capitalism in Western Europe was cleared with the utmost energetic co-operation of the state that resorted to the most cruel methods. The state went into wars to help establish trans-oceanic trade routes and to enslave millions of colonial people for exploitation; and furthermore at home it brutally forced wage workers to toil for the capitalist employer. Such was the road to primitive accumulation some 200-300 years ago. True, the direct participation of the state in private enterprise was smaller at the dawn of capitalism than what it is today. But this has its explanations. For instance, in those distant times the cost of running an enterprise was practically negligible, and the equipment, management and marketing were simple enough as compared to what they are today in the second half of the 20th century with its unprecedented concentration of industrial production spurred on by the current scientific and technological revolution.[1]

Ulyanovsky and Pavlov are convinced that capitalism can no longer flourish in the countries of the third world. For the state can no more repeat the performances of 18th-19th century Europe in the co-ordinates of today's time and space. The states of South and Southeast Asia cannot venture to colonise Europe and America; nor can they force the workers to toil for the capitalist at low wage rate. Workers are far more united and militant. Their wage rate is already much too low which cannot be reduced further without "a crippling deterioration in the conditions of its [worker's] reproduction". Moreover, they are under "the tremendous influence exerted by the 'demonstration effect', i e, by the achievements of the working people of the socialist countries and also by the democratic and social gains won by the working class in developed capitalist countries".

Believe it or not, Ulyanovsky and Pavlov are saying that (a) the lack of colonies and (b) the refusal of workers to accept lower wages are the two fundamental hindrances to the development of capitalism in South and Southeast Asia. But didn't Lenin prove that colonies are not an essential pre-



requisite for the development of capitalism?[2] Isn't it a fact that in countries like India the real wage rate of agricultural and industrial labourers has been declining over the years? Isn't it true that the share of wages in net output is sliding down? Irrespective of whether wage rate is going down in fact or not, the crux of the matter lies in the volume of surplus value that can be realised, which in turn depends partly upon the productivity of labour, that is, technology. To regard the workers' struggle for higher wages as an obstacle to the growth of capitalism, as Ulyanovsky and Pavlov have done, is tantamount to betraying ignorance of the actual data about wages in particular, and of the dialectics of development of capitalism, in general.

In South and Southeast Asia, the economy has fallen into the clutches of monopoly capitalism, domestic as well as foreign, and semi-feudalism.[3] This is the fundamental factor which stands in the way of the growth of independent, competitive capitalism. Ulyanovsky and Pavlov indeed would not concede this formulation, because in that case their entire thesis with regard to the class character of the state in the third world, and the corresponding path of transition to socialism would fall apart.

Class Character of the Indian State

One of the most controversial issues in the Indian left movement is related to the class character of the Congress party, the Congress government, and the state of India. The origin of the split in the Communist Party of India in 1964 can be traced back to debates over the nature of the Mountbatten Award in 1947 and the policy towards the Nehru Government thereafter.[4] Shirokov however flatly announces that "after the country [India] had won independence, the *national bourgeoisie* took over the reins of government" (emphasis added). To him it is an axiom; so he does not care to substantiate this proposition with an analysis of the then Indian situation.[5] This axiom is the prism through which he looks at India, and consequently ends up with a distorted view.

Having come to power on the morrow of independence the national bourgeoisie, continues Shirokov, immediately recognised the tremendous gap that existed between its political strength and economic weakness. Since so many landlords, rajahs and other representatives of the old feudal classes still remained and since the position of foreign capital was strong, the only way for the national bourgeoisie to consolidate its position as the ruling class was by accelerating the development of modern capitalism. This then brought industrialisation to the fore. Such an aim could be accomplished with the help of extraordinary and long-term measures, including first and foremost the delegation of exceptional rights to the government in the development of the economy and direct control of social reproduction. Thus state capitalism in its present form was born in India. In addition to direct investment in an extensive area of economic activity the state came to exercise controls over private investment through licensing policy and other means. Shirokov is sure that all this was intended to serve the interests of the national bourgeoisie. But alas, between intentions and implementation the gap kept on yawning. The big bourgeoisie reaped what the national bourgeoisie had sown, agrees Shirokov. But he does not bring himself up to ask: why and how could this happen if the national bourgeoisie alone is fully in power?

We are told that "the Indian government intended to harness the influx of foreign capital in the interest of national entrepreneurship". Mid-fifties is a sort of watershed in respect of foreign capital and foreign aid to India. It is claimed that the agreement with the Soviet Union marked the beginning of a new phase. This agreement boosted industrial construction and, in addition, compelled the capitalist countries to revise the principle on which their economic aid to India was based. Soviet aid was interpreted as a challenge to capitalist countries and a specific form of struggle between socialism and capitalism. For this reason all the leading capitalist countries began in the years following 1956 to extend economic aid to India. The terms were made easier, interest rates reduced and the time limits for repayment of credits extended.

Meanwhile there was also a qualitative change in the operation of the foreign monopolies in India. Their position in the Indian market was threatened by the opportunities of assistance from the socialist countries in the construction of enterprises in the public sector and in supply of equipment to the private sector. The economic recovery in some capitalist countries including West Germany, Japan, France and Belgium, sharpened the competition in the world market and forced them to seek new ways of penetrating the Indian economy. But India's foreign exchange reserves were exhausted and, besides, in 1958 the Indian government introduced rigid controls over imports. Foreign monopolies had thus to review their policies towards India. They gradually reduced exports and started the production of commodities within India. The average annual sum of foreign investments rose from Rs 233 million in 1948-1955 to Rs 266 million in 1956-61. The targets of investments also changed: in 1956-1961 industry accounted for 92.4 per cent of the overall foreign investments as compared to only 46.6 per cent in 1948-1955.

Shirokov then argues that the Soviet aid triggered off the process which led to sharpening contradictions among the Indian bourgeoisie. The foreign firms and governments were mostly interested in setting up large enterprises, particularly in the new industries where the capital intensity was high. Their partners were therefore in the main representatives of the local monopolies or of big business. Most mixed companies were founded jointly by foreign and Indian monopolies. This collaboration was most advantageous to both. The concentration of capital and production in India was thus considerably stimulated. The nature of competition in the domestic market thereby underwent a basic change. Previously, competition had been between foreign and Indian entrepreneurs, but thenceforth it involved the local as well as foreign monopolies on the one hand, and the weaker section of the national bourgeoisie on the other. That is to say, the contradictions in the ranks of the Indian bourgeoisie got aggravated, thanks to Soviet aid to begin with.

Here is another instance where Shirokov merely asserts a point of view without adequate supportive evidence; and does not care to mention that the issue yet remains open to controversy. There is, for instance, a rival 'Chinese thesis' that after 1958 the Indian Government, i e, the Indian bourgeoisie began to lose its independent character.[6]

The national bourgeoisie in India is trying to strengthen its economic base in proportion to its political supremacy. Aid from socialist countries is paving the way for the success of the national bourgeoisie in its struggle against the monopolies, domestic as well as foreign. As a concomitant to this grim battle, the contradictions between these two antagonistic classes are becoming all the more acute. This is how Shirokov portrays the Indian scene. But in fact there are objective indicators to the contrary: the 'middle' bourgeoisie

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS.
PROGRAMME HEREUNDER IS BEING ISSUED IN COMPLIANCE WITH THE PROSPECTUS AND APPLICATION FORMS FROM THE REGISTERED OFFICE OF THE COMPANY OR FROM THE BANKERS, BROKERS OR UNDERWRITERS TO THE ISSUE LISTED IN THIS ANNOUNCEMENT.
PUBLIC ISSUE OF 10,000,000 FULLY PAID 8½% FIFTH CENTRAL SHARE DEPARTMENT AT 36-38, BANK STREET, FORT, BOMBAY 400-023 OR FROM THE
OF Rs. 100 EACH AT A PREMIUM OF Rs. 100 PER SHARE AGGREGATING Rs. 20 CRORES
ANNOUNCEMENT REGARDING THE ISSUE OF 10,000,8½% FIFTH DEBENTURES OF Rs.1,000 EACH OF A TOTAL VALUE OF Rs.1 CRORE
(DECLARED BY THE GOVERNMENT OF MAHARASHTRA AS 'PUBLIC SECURITIES' UNDER SECTION 2 (12) (d) OF THE BOMBAY PUBLIC TRUSTS ACT, 1950).

THE ANDHRA VALLEY POWER SUPPLY COMPANY LIMITED

(Incorporated as a Public Company on 31st August 1916, under the Indian Companies Act, VII of 1913).
REGISTERED OFFICE Bombay House, 24 Homi Mody Street, Fort, Bombay 400 023 [illegible]

EXISTING AND PROPOSED ACTIVITIES:
The Company was formed in 1916 with the object inter alia of acquiring, taking over and working the Andhra Valley (Hydro-Electric) Licence, 1919 and of establishing an Electric Power, Light and Supply Company in all its branches.

The three Tata Electric Companies, viz. The Tata Hydro-Electric Power Supply Company Limited, The Andhra Valley Power Supply Company Limited and The Tata Power Company Limited function for all practical purposes as an inter-connected grid and the Tata Electric System is one of the principal electric power systems in India. Energy in bulk is supplied to textile mills, railways, the suburban area and local authorities including Bombay, the surrounding areas. The generating capacity of the three undertakings at the hydro generating stations is 73 MW, 72 MW and 132 MW respectively.

In addition, in order to meet the growing demand for power in the area of supply, the Companies have, from time to time, constructed a modern Thermal Generating Station consisting of three units of 50/62.5 MW each and a fourth unit of 150MW capacity. A new Receiving Station at Carnac was also brought into service in 1967 in order to feed Southern Bombay, which greatly facilitated the distribution of power in this area. The Electric System has thus a total installed capacity of 454 MW and the electric energy sold during 1972-73 was of the order of 8,709 million units. The said Trombay Thermal Station and the Carnac Receiving Station were jointly financed by the three Companies in the ratio of 20 : 30 : 50 respectively partly with the assistance of loans from the International Bank for Reconstruction and Development (World Bank) and the U.S. Agency for International Development (AID).

The Three Companies have been undertaking a continuous programme to improve, rehabilitate and modernise their receiving, distribution and transmission facilities with a view to ensuring efficient, reliable and economical supply of electricity at reasonable rates to their consumers in the area. The demand for electricity in the area served by the Tata Electric System has been increasing steadily and the increased demand is being met by the Companies through the purchase of a larger quantum of power from the Maharashtra State Electricity Board. In order to provide the maximum generation, transmission and distribution of which the system is capable, the Companies have undertaken a constant programme of rehabilitation and modernisation of their generating, transmitting and distributing facilities. They have to remodel their existing receiving stations so as to enable them to meet the present day requirements.

The Companies have therefore taken on hand a capital expenditure programme for a four year period from 1972-73 to 1975-76. The total expenditure during the said period is likely to be of the order of Rs. 1,381 lakhs of which the share of the Andhra Valley Power Supply Company Limited would be approximately Rs. 389 lakhs. The proceeds of the present debenture issue will be utilised for financing a part of the capital expenditure incurred and planned to be incurred during the said period.

LOCATION OF THE GENERATING STATIONS:
The Company's hydro-electric undertaking is located at Bhivpuri, Dist. Kolaba, Maharashtra. The thermal generating station is located at Trombay near Bombay.

BOARD OF DIRECTORS:
Mr. Naval H. Tata *(Chairman)*
"Tata House", Waudby Road, Fort, Bombay 400001.
Industrialist

Mr. K. M. D. Thackersey
"Menka" Block 'A', (Pelit Hall Compound), 15th Floor, Flat No. 151, 66, L. Jagmohandas Marg, Bombay 400 006.
Millowner & Merchant

Mr. C. H. Bhabha
49, Cuffe Parade, Bombay 400 005.
Banker & Company Director

Mr. Ramkrishna Bajaj
Mount Unique, 62-A, G. Deshmukh Marg, Bombay 400 026.
Industrialist

Mr. K. M. Chinnappa *(Managing Director)*
49, Cuffe Parade, Colaba, Bombay 400 005.
Business Executive

Mr. K. M. Gharda
(Whole-time Director and Controller of Accounts)
9A, Sterling Apartments, 38, G. Deshmukh Marg, Bombay 400 026.
Company Executive

Mr. C. C. Patel (Nominated by The Government of India)
Suite C, 1, Horizon Road Hostel, Kasturba Gandhi Marg, New Delhi 110 001.
Government Service

Mr. P. S. Nadkarni
"Mangalya", 355, S. K. Bole Marg, Bombay 400 028.
Government Pensioner

SHARE CAPITAL AUTHORISED:

	Rs.
50,000 7% Cumulative Preference Shares of Rs. 100 each	50,00,000
60,000 8½% Cumulative Preference Shares of Rs. 100 each	60,00,000
400,000 Ordinary Shares of Rs. 100 each	4,00,00,000
90,000 Unclassified Shares of Rs. 100 each	90,00,000
	6,00,00,000

ISSUED AND SUBSCRIBED:

49,340 7% Cumulative Preference Shares of Rs. 100 each, fully paid	49,34,000
60,000 91% Cumulative Redeemable 'A' Preference Shares of Rs. 100 each, fully paid	60,00,000
333,047 Ordinary Shares of Rs. 100 each, fully paid	3,33,04,700
	4,42,38,700

PRESENT ISSUE:
The present issue consists of 10,000, 8½% FIFTH Debentures of Rs. 1,000 each for Rs. 1,00,00,000 at par for cash PAYABLE IN FULL ON APPLICATION. The Debentures will carry interest for payments commencing from, 30th September 1984 and ending on 30th September 1987, i.e. during the Company's financial years 1984-85 to 1987-88.

UNDERWRITERS:

	Amount underwritten (Rs. in lakhs)
Industrial Development Bank of India, New India Centre, 17, Cooperage, Bombay 400 039.	33.00
The Industrial Credit & Investment Corporation of India Limited, 163, Backbay Reclamation, Bombay 400 020.	18.00
Life Insurance Corporation of India, 'Yogakshema', Jeevan Bima Marg, Bombay 400 020.	10.00
Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, Bombay 400 001.	10.00
Industrial Finance Corporation of India, Bank of Baroda Building, 16, Parliament Steet, New Delhi 110 001.	4.00
Oriental Fire & General Insurance Co. Ltd., Oriental Buildings, Mahatma Gandhi Road, Bombay 400 001.	7.50
Stewart & Co., 14, India Exchange Place, Calcutta 700 001.	

MADRAS
Peterson & Company,
Vanguard House, 11/12, Second Line Beach, Madras 600 001.
Chitra & Co.,
Post Box 1557, 322/323, Linghi Chetty Street, Madras 600 001.

NEW DELHI
Harbans Singh Mehta & Company,
33, Regal Building, Parliament Street, New Delhi 110 001.
Bharat Bhushan & Company,
H-45, Connaught Place, New Delhi 110 001.

AHMEDABAD
Chinubhai Chimanlal Dalal,
Ratanpole, Manek Chowk, Ahmedabad 380 001.

BANGALORE
M. Nanjappaiah Jahgirdar,
205, Cavalry Road, Bangalore 560 020.

HYDERABAD
P. B. Afzulpurker,
Sultan Bazar, Hyderabad 500 001.

SOLICITORS:
M/s. Wadia Ghandy & Company,
123, Mahatma Gandhi Road, Bombay 400 023.
M/s. Mulla & Mulla and Craigie Blunt & Caroe,
Jehangir Wadia Building,
51, Mahatma Gandhi Road, Bombay 400 023.
Mr. S. R. Vakil,
Bombay House, 24, Homi Modi Street, Fort, Bombay 400 023.

AUDITORS:
M/s. A. F. Ferguson & Company,
Chartered Accountants,
Allahabad Bank Building, Apollo Street, Bombay 400 001.
M/s. S. B. Billimoria & Company,
Chartered Accountants,
113, Mahatma Gandhi Road, Bombay 400 001.

OPENING AND CLOSING DATES OF SUBSCRIPTION LIST:
THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON TUESDAY, 23RD APRIL 1974 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THURSDAY, 2ND MAY 1974 OR EARLIER AT THE DISCRETION OF THE DIRECTORS, BUT NOT EARLIER THAN THE CLOSE OF BANKING HOURS ON WEDNESDAY, 24TH APRIL 1974.

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Applications for debentures now offered for public subscription may be made only by residents in India and must be for a minimum of Debentures of Rs. 1,000 (Face Value) and in multiples thereof. Applications must be made in single names only and not in joint names and an applicant should submit only one application for the total number of Debentures required. Applications in joint names and multiple applications are liable to be rejected. Application forms duly completed must be delivered together with the full amount payable at any of the following offices of the Bankers to the Issue:

STATE BANK OF INDIA at its main offices at Bombay, Calcutta, Madras and New Delhi.

CENTRAL BANK OF INDIA at its main offices at Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Indore, Madras, Nagpur, New Delhi, Panjim, Poona and Surat.

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in India is extremely weak, and is constantly losing ground to the monopolies. The process of *differentiation* of the bourgeoisie is on; but the middle bourgeoisie is falling more and more into the hands of the foreign monopolies for shelter and protection.[7]

To continue with Shirokov, his third major point is quite interesting. It is in relation to the economic crisis in mid-sixties and the power struggle of 1968-69. By contrast with his two earlier propositions which are essentially axioms as it were, it is as if he now has a *rigorous theorem*. The economic crisis which overtook India since 1965 was due to two things: first, the multi-structural pattern of the economy where a large sphere such as agriculture is under the sway of pre-capitalist production relations, and hence cannot respond to the demands of an increasing tempo of industrialisation; and second, the capitalist path followed by the national bourgeoisie in industry which has inevitably resulted in uneven, disproportionate growth among various sectors of industry. Mining, for instance, is lagging behind manufacturing; within manufacturing again, metallurgy is way behind other branches. If you want proof, see the annual growth rates of output; Shirokov has provided a table on this for your ready reference.

Now, the power struggle and finally the split of Congress. The course of economic development in the second half of the 1960s signified that in conditions of a mixed economy state entrepreneurship had in a way reached its qualitative peak. Further progress could be made only at the expense of the big bourgeoisie and such development depended on the balance of class forces. With the general rise of the democratic movement the contradictions and political struggle between the various sections and groups of the bourgeoisie had become more intense. In the showdown which lasted from 1967 to 1970 the monopolies suffered a setback. The biggest commercial banks and insurance companies were nationalised, and foreign trade, the import of raw materials in particular, was gradually taken over by the government. These measures tend to reduce the capital accumulation of monopolies and their influence in the economy, and at the same time create far more favourable conditions for the development of the lower sections of the bourgeoisie. So believes Shirokov.

In short, the national bourgeoisie in India is marching ahead on the road of independent capitalist development, independent from the domestic monopolies and foreign imperialism. This class has proved its mettle in the fire of the acute crisis as of 1967-1970. This is the cardinal premise, assumption, or if you like, conclusion, of Shirokov. But he hastens to add that such a path of development is bound to be uneven and prone to periodic ups and downs. On the one hand, he welcomes the policy measures adopted by the Indian National Congress since 1969-70; to him the Congress is a party of the national bourgeoisie which is engaged in promoting capitalism from below. The government support of small-scale capitalist enterprises in industry and agriculture, he argues, is a way of encouraging the development of capitalist relations. The petty capitalist entrepreneur is quite willing to adopt relatively modern techniques; the same is true of the capitalist farmer involved in the "green revolution", though not to the same extent. In the circumstances government support of petty capitalist enterprise will raise the national level of labour productivity, boost the domestic demand for producer goods and widen the opportunities for industrial development. So the process of capitalist integration will be intensified and the present weak sectors will catch up with the large-scale industries. Shirokov is confident that this will be better for national economic development. But then he also has some words of caution as follows.

Against the background of sharp competition from the modern big capitalists and monopolists, the large scale of relatively independent operations of the lower forms of capital (that is, trade-and-money-lending-capital) which expropriates a big proportion of small-scale production, the policy of quickly forming a wide layer of petty capitalist entrepreneurs involves great government expenses. The funds for the purpose can be raised only by the redistribution of the incomes of millions of direct producers in town and country. So the formation of the second echelon of India's ruling class of national bourgeoisie is a heavy burden on the mass of the population. The redistribution of material and financial resources in favour of small-scale entrepreneurship can temporarily slow down the technical and economic progress in large-scale industry, whether private or public. The result of this may well be that the standards of India's industry will increasingly fall behind world levels, thus leading to a drop in exports which, in turn, would cause a deficit in the balance of payments. Hence this policy can be conducted only if there is an influx of foreign resources. On balance, Shirokov therefore appears to recommend a "neither-big-nor-small capitalist path", that is a "middle capitalist path", for India's economic development. Or, is it the "non-capitalist path"?

Non-Capitalist Path and Intermediate Regime

The concept of so-called non-capitalist path continues to remain hazy in its operational content as well as theoretical foundation. Reportedly the Soviet Central Asia, the Mongolian People's Republic and the Democratic Republic of Vietnam have already travelled along this path; but the journey was under the guidance of the ruling Communist Party. It is claimed that the idea of non-capitalist development has been applied and has become a promising political trend mainly in the African countries and partly in Asia. As for the Asian countries which are approaching the average level of capitalist development and, even more so, Latin America, where many countries have already reached that level, the idea of non-capitalist development is hardly if ever advocated and, as a rule, has quite a *different connotation*. In India capitalism has already developed to a significant extent; hence there is no longer any question of by-passing capitalism. The task is now to regulate, contain and channelise, the advance of capitalist relations. However, the transition of India to *socialism is predicated* upon its following its own specific version of the non-capitalist path.[8] This is 'a Soviet view', which is energetically shared by some in India.

The non-capitalist path of development is proclaimed to be the essence of 'national democracy', economically, politically and culturally, in order to reach the goal of socialism. The national-democratic revolution is not the same as the bourgeois revolution because it is led by middle intermediate strata, with the *support* of the working people. It would work wonders in the poor, developing countries. So we heard as early as 1957, and have heard ever since.

One may immediately come to the conclusion that perhaps the concept of national democracy with its non-capitalist path of development can be identified with what Kalecki in 1964 called the 'intermediate regime'.[9] But certainly it would be unwarranted. For Kalecki clearly sounded the note of warning

that an intermediate regime, if anything, tends to be rabidly anti-working class, anti-communist; he referred particularly to the blood-bath of September 30, 1965 in Indonesia as an example. Kalecki categorically pointed out that a powerful communist party is an "anomaly" in an intermediate regime. The champions of the national democracy and non-capitalist path should note carefully that the middle stratum is a vascillating class with many a link with the big bourgeoisie.

In the concrete situation of India is the middle class anti-feudal, anti-monopoly as well as anti-imperialist; and at the same time are the class interests of this group in contradiction with those of workers and poor peasants?[10] Or, is it opposed to the feudal remnants, monopoly and imperialism, but potentially an ally of workers and poor peasants?[11] Or, does it subserve the vested interests of feudalism, semi-feudalism, monopoly and imperialism, in sharp opposition to the cause of the working class?[12] Well, how significant and strong is this group? Where does the middle class stand in relation to the exercise of state power? Questions such as these are to be objectively analysed, before the non-capitalist path of transition for India towards socialism can be meaningfully discussed. The two books under review are relatively strong in putting forward 'a Soviet view', but weak in respect of the required analysis.

These two additions to the list of books on India's economic development are nonetheless welcome, primarily because of their bold attempt, no matter however mistaken, to view the process of economic growth in the perspective of class relations.

Notes

1 A rough calculation suggests that the average cost of total capital in a single typical industrial operation in France during the nineteenth century was about the same as six to eight months' wages of an average worker; in England it had been even less. The corresponding figure in the developing countries today is of the order of three hundred and fifty months' wages. This is to say, the cost has gone up by over fifty times. See R B Sutcliffe, "Industry and Underdevelopment" (1971), and Ranjit Sau, "And Quiet Flows Orthodox Economics", *Economic and Political Weekly* (June 30, 1973), p 1153.

2 See V I Lenin, "The Development of Capitalism in Russia", 'Collected Works', Volume 3, Moscow 1960.

3 See Ranjit Sau, "Indian Economic Growth" (1973), Chapter 1; and *idem*, "Can Capitalism Develop in India's Agriculture?", presented at the Seminar on the Political Economy of Indian Agriculture, Calcutta, March 1973.

4 Mohan Ram, "Indian Communism: Split Within a Split" (1969), and "Maoism in India" (1971).

5 Bhowani Sen writes: "In India today [1972] state power is in the hands of the national bourgeoisie, but not exclusively in the hands of the monopolies". See "National Democracy and People's Democracy", CPI Publication (June 1972), pp 26-7.

6 See Arjun Bandopadhyay, "Indian Bourgeoisie — A Rejoinder", *Frontier*, April 1, 1972, p 9. See also Charles Bettelheim, "Indian Independent" (1968), pp 309-13.

7 See Ranjit Sau, "Growth and Fluctuation in the Indian Economy", *Economic and Political Weekly*, Special Number, August 1973.

8 R Ulyanovsky, "The Leninist Concept of Non-Capitalist Development and Our Time", *Social Sciences*, USSR Academy of Sciences, No 2(4), April-June 1971; V Solodovnikov, "Some Features of the African Countries' Non-Capitalist Development", *ibid*; A Levkovsky, "The Third World Countries: Their Multiform Economic Structures", *ibid*; Bhowani Sen, *op cit*; R Ulyanovsky and V Pavlov, *op cit*; Communist Party of India, "Basic Documents of the Moscow Meetings of Communist and Workers' Parties, 1957-1960-1969"; R Ulyanovsky, "Some Problems of Non-Capitalist Development", *Mainstream* (April 17, 1971); S N Lapina, "Lenin on Socialism in Less-Developed Countries through Non-Capitalist Path", *ibid* (November 4 and 11 1972). For a critique of the concept of non-capitalist path, see Communist Party of India (Marxist), "Stand on Ideological Issues" (1969), pp 27-29.

9 M Kalecki, "Observations on Social and Economic Aspects of 'Intermediate Regime'", *Co-existence*, Volume 4 (1967); and E M S Namboodiripad, "On 'Intermediate Regimes'", *Economic and Political Weekly*, (December 1, 1973).

10 K N Raj appears to have an affirmative answer to this question in his "The Politics and Economics of 'Intermediate Regimes'", *Economic and Political Weekly* (July 7, 1973).

11 Namboodiripad, *op cit*, seems to say yes to this formulation.

12 In Indian conditions the middle class performs the function of a buffer between the two antagonistically opposed groups, namely, the feudal-monopoly-imperialist group on the one hand and the workers-peasants on the other, in the interest of the former. See Ranjit Sau, "On the 'New Economics'", *Economic and Political Weekly*, Special Number (August 1972), pp 1577-78.



Optimal Targets for the Family Planning Programme

S K Satia

C Rangarajan

Benefits and costs associated with family planning programmes of underdeveloped countries in general, and of India in particular, have been a subject of intensive investigations. These studies have been primarily used as a means for the justification of family planning programmes.

In this paper, we have applied benefit-cost analysis to derive the economically justifiable targets for Indian family planning programmes. The targets are defined in terms of desired declines in general fertility rates (GFR). A demographic and economic model similar to Coale-Hoover is constructed to evaluate the economic consequences of different GFR paths.

The cost-equations based upon the past data are used to estimate the costs of achieving various GFR paths. Benefit-cost analysis is used to compare these paths and derive optimal targets.

The study shows that the benefit-cost analysis results are very sensitive to the type of economic benefits considered. Interest rates and horizon periods also effect the optimal targets.

The analysis is then used to discuss the interactions among per capita consumption distribution, measures used and suggested to achieve declining fertility rates and financing of family planning programmes. It is stressed that a massive programme to reduce fertility rates may not achieve credibility unless steps are taken to achieve a greater equality in per capita consumption distribution.

I

Desirability of Birth Control

THE desirability of national birth control programmes for the developing countries has been established beyond doubt. India's family planning programme is expected to play a crucial role in the nation's development. The benefits resulting from these programmes and the costs incurred by the programmes have been a subject of intensive investigations.

Coale and Hoover,[1] in one of the pioneering attempts, investigated the effects of different rates of fertility declines in India. They constructed a demographic and econometric model for India. Using the model, they showed that declines in fertility rates will significantly affect the per capita income.

The case for 'Birth Control Programmes' has been made by Enke[2] who has supported the case by constructing a set of increasingly sophisticated models of a typical underdeveloped country to evaluate the economic consequences of declines in fertility rates. The investments in these programmes are shown by him to be superior to other investments, in terms of their resulting effects on per capita income.

Attempts have been made by Simon,[3] Repetto,[4] Simmons[5] and others to evaluate the discounted value of a birth averted in India.[6] These estimates range from Rs 1,000 to Rs 8,000 per birth averted. Such a wide variation, in the estimated value of a birth averted, is due to differing assumptions regarding the measurement criterion of the benefits and the parameters used in the models such as discount rates and the time horizons considered.

Myrdal,[7] and Liebenstein,[8] argue against the benefit-cost analysis of family planning programmes. Liebenstein raises the question of whose viewpoint should be used in the benefit-cost analysis. The usual benefit-cost analysis looks at the national economic consequences, whereas the actual decisions and their consequences are felt by the individual families. The possible conflict between social and private benefits and disbenefits needs to be resolved. Discounting further complicates the issue by linking present generations with future generations. Myrdal argues that it is very difficult

TABLE 1: COMPARISON OF ACTUAL AND PREDICTED NATIONAL INCOME AT 1952-53 PRICES

(Rs billions)

Year	Actual Y *	Predicted Y using Coale-Hoover Model **	Estimated Y — Actual Y
(1)	(2)	(3)	(3)—(2)
1956	108.000	108.000	0.000
1957	113.359	111.359	—2.000
1958	112.225	114.848	+1.623
1959	120.057	118.475	—2.418
1960	122.221	122.249	+0.028
1961	131.187	126.178	—5.009
1962	134.588	130.157	—4.431
1963	137.061	134.375	—2.786
1964	143.760	138.538	—5.222
1965	154.374	142.955	—11.419
1966	151.489	147.535	—3.954
1967	154.374†	152.268	—2.106

Source: *Economic Survey, Government of India, 1970-71

** The population projections are based upon the "Population Projection of India 1957-1976", National Council of Applied Economic Research, New Delhi, India, 1960.

† Plan estimates.

to specify the exact amount of benefits. The attempts to construct quantitative models were abandoned by him in favour of qualitative discussions.

The Government of India uses an estimate of Rs 1,500 as the discounted value of a birth averted.[9] Past experience indicates that the average cost per birth averted is approximately Rs 125. This would imply a benefit-cost ratio of 12 at the present level of family planning programmes.

While it has been established beyond doubt that the family planning programmes are desirable, the optimal targets of these programmes have not received much attention. We investigate, in this paper, the economically justifiable targets for the Indian family planning programme using benefit-cost analysis. The targets are defined in terms of desired declines in general fertility rates.

The methodology of investigation is described in Section II. A reworked Coale-Hoover model is used to evaluate the economic consequences of different paths of declines in general fertility rates in Section III. The estimates for the births that need to be averted under these paths are derived in Section IV, using a demographic model. Section V discusses the discounted economic value of a birth averted. The sensitivity of this estimate with respect to the measurement criterion, interest rates and horizon length are discussed. Cost equations based upon past experience are presented in Section VI. Section VII compares the benefits and costs of the differents paths. The implications of the results obtained by benefit-cost analysis are discussed in Section VIII. Finally, a summary is presented in Section IX.

II

Methodology of Investigation

Definition of Different Targets:

The targets for a family planning programme are usually defined as the desired 'general fertility rate' (i e, number of births per thousand of population between the ages of 15 and 44) or GFR at the end of a certain period. But the benefits and costs also depend upon the path taken to reach the targets. Therefore, a targeted fertility decline path should specify GFR for each year t in the planning horizon. There are an infinity of such GFR paths. However, we limit ourselves to the GFR paths with the following characteristics:

(a) The fertility rate stabilises by the year 1985.

(b) The fertility decline occurs at a linear rate.

TABLE 2 : A COMPARISON OF ACTUAL AND PREDICTED VALUES OF D AND F OUTLAYS, AT 1952-53 PRICES

(Rs billions)

Year	Estimated F-Outlays	Actual F-Outlays	Estimated D-Outlays	Actual D-Outlays
1954	16.13	13.58	6.82	6.92
1955	16.82	18.31	7.21	8.83
1956	17.54	20.45	7.64	10.50
1957	18.31	22.91	8.09	12.06
1958	19.12	25.88	8.57	12.53
1959	19.20	26.29	8.74	12.61
1960	20.69	27.92	9.18	11.49
1961	21.52	30.93	9.65	13.12
1962	22.40	32.95	10.15	14.04
1963	23.33	38.54	10.68	13.31
1964	24.18	45.15	11.13	18.75
1965	25.08	45.66	11.62	18.57
1966	26.03	49.90	12.13	19.76

TABLE 3 : POPULATION ESTIMATES, 1986 TO 2001

GFR Path	Birth Rate Per Thousand		Total Population in Year		Equivalent Consumer Population	
	1971	1986	1986 (million)	2001 (million)	1986	2001
195-195 Uncontrolled fertility	41	40	836	1299	682	1059
179-179 Present rate	38	37	804	1202	661	987
179-160 Very high fertility	38	34	783	1117	648	927
179-142 High fertility	37	31	763	1039	637	871
179-120 Medium fertility	37	27	738	948	622	805
179-100 Low fertility	37	23	716	867	608	747
179-80 Very low fertility	37	19	694	790	595	690

Notes: (1) The uncontrolled fertility level is assumed to be 195 per thousand and the available evidence indicates that the GFR has declined to 179 per thousand by year 1971.

(2) The Registrar General has also made population projections but these projections were made prior to 1971 census and use a higher figure of 561 million as the initial population in 1971. Besides, we need population projections for each year for several GFR paths. Hence, we constructed this model. The projections made by this model and the comparable projections made by the Registrar General agree closely after providing for the initial population correction.

Method of Comparison between Alternative Paths:

Each GFR path k implies different national income projections $Y_t(k)$ and different numbers of consumers, C_t (k) sharing these benefits in each year t. A lower GFR path, as is well known, leads to a higher level of income and a smaller population. In discussing the effects of family planning programmes, two types can be distinguished: Those arising from increased availability of aggregate consumption — the aggregate consumption effect — and those arising from increased consumption being shared by fewer consumers — the per capita consumption effect.

The measurement of these benefits would be as follows: Consider two GFR paths A and B. The national income differences between these two paths in year t is $Y_t(B) - Y_t(A)$. However, some portions of this increased wealth is reinvested and consequently only the remaining portion is available for consumption. We have estimated[10] that 25 per cent of the national income will not be available for private consumption. Hence[11] the aggregate consumption effect in year t is 0.75 $[Y_t(B) - Y_t(A)]$. The per capita consumption effect is 0.75 $[Y_t(B) - (Y_t(A) \times C_t(B)/C_t(A)]$.

Different GFR paths also imply different amounts of family planning programme effort necessary to avert the births — and consequently different expenditure levels. As it takes several years for benefits to be realised after expenditures have been incurred, we have to discount benefits and costs. The discounted benefits and costs can thus be evaluated for each linear GFR path as compared to 'uncontrolled fertility'. Whereas investments will be justified if the benefits exceed costs, the optimum level of investment can only be determined by comparing marginal benefits and marginal costs of successive GFR paths. Marginal costs increase and marginal benefits decrease with increasing family planning programme efforts. The GFR path, for which the marginal costs equal marginal benefits, is the optimal GFR path. Figure 1 is a schematic representation of the methodology.

The discounting procedure, and the rates are controversial issues. Our attitude here is that the value of rates should be determined by 'cost of capital' depending upon current borrowing costs and 'opportunity cost of money' as measured by the returns from other investments. The analysis is performed for several values of interest rates. Another issue in evaluating the benefits and costs is the planning horizon which should be considered. As the planning horizon gets longer, the benefits of a GFR path also increase. Since it is difficult to decide on a value for this horizon, we carry out the analysis for several values ranging from 20 to 50 years.

TABLE 4: BIRTHS AVERTED IN MILLIONS FOR VARIOUS GFR PATHS

GFRPaths/ Year	1971	1976	1981	1986	1991	1996	2001
179-179	1.9	2.1	2.4	2.7	3.1	3.5	4.0
179-160	2.0	3.1	4.4	5.9	6.6	7.4	8.3
179-142	2.2	4.0	6.4	8.8	9.9	10.9	12·0
179-120	2.3	5.2	8.7	12.4	13.7	14.9	15.9
179-100	2.5	6.2	10.9	15.6	17.1	18.2	19.0
179-80	2.6	7.3	13.1	18.1	20.4	21.3	21·6

TABLE 5: NATIONAL INCOME PROJECTIONS AT 1961 PRICES

(Rs billions)

GFR Path/Year	1971	1976	1981	1991	2001
195-195 Uncontrolled fertility	187.0	231.8	289.1	457·4	731.4
179-179 Present rate	187.0	232·0	290·1	463·0	754.2
179-160 Very high fertility	187.0	232.0	290.3	466.1	768.2
179-142 High fertility	187.0	232.0	290·7	469.1	781·4
179-120 Medium fertility	187.0	232.1	291·0	472·8	797.3
179-100 Low fertility	187.0	232.1	291.3	476·2	811.6
179-80 Very low fertility	187.0	232.1	291.6	479.9	825.8

TABLE 6: NATIONAL INCOME INDICES PROJECTIONS

(1971=100)

GFR Path/Year	1971	1976	1981	1991	2001
195-195 Uncontrolled fertility	100	123	155	244	331
179-179 Present rate	100	124	155	247	403
179-160 Very high fertility	100	124	155	249	410
179-142 High fertility	100	124	155	251	417
179-120 Medium fertility	100	124	155	252	426
179-100 Low fertility	100	124	156	255	434
179-80 Very low fertility	100	124	156	257	441

TABLE 7: PER CAPITA INCOME PROJECTIONS, AT 1961 PRICES

GFR Path/Year	1971	1976	1981	1991	2001
195-195 Uncontrolled fertility	341	368	400	471	462
179-179 Present rate	341	374	412	502	628
179-160 Very high fertility	341	376	418	528	688
179-142 High fertility	341	378	423	554	752
179-120 Medium fertility	341	379	430	588	841
179-100 Low fertility	341	381	437	623	936
179-80 Very low fertility	341	382	444	660	1045

III

Economic Model

In this section, we describe a reworked Coale-Hoover model to evaluate economic consequences of differential fertility patterns. First, the Coale-Hoover model is described.[12] The model structure and parameters are then compared with the actual data for the period 1956 to 1966.[13] Based upon this comparison, new values of parameters are estimated. This reworked model, in conjunction with a demographic model, is then used to estimate national income and economic effects of different GFR paths.

Description of Coale-Hoover Model:

The Coale-Hoover model is built on the assumption that the major cause of income growth is investment or as they call it the 'equivalent growth outlays' which is a measure of total investment adjusted for the varying degrees of productivity of its components. The two major components are investments in capital goods and welfare type outlays, the former being more productive than the latter. The capital-output ratio determines the income growth given the equivalent growth outlays. The size of the population and its rate of growth are introduced as two specific variables which have an impact on the composition and level of investment — and, therefore, on rate of growth of income. A low fertility rate leads to a faster increase in income due to two factors. One, it leads to a larger volume of saving and investment; two, a greater proportion of the investment is directed to high productivity capital goods type as opposed to the welfare type expenditures.

The basic structure of the Coale-Hoover model is as follows:

Total public expenditures plus net monetised private investment (F) in any year is assumed to depend upon national income (Y) and the equivalent consumer population (C)[14]

$$F = aY - bC$$

The F-expenditures consist of two components: direct development expenditures (D) and welfare-type outlays (W). W outlays are assumed to contribute less directly (and hence less strongly) to raising national income as compared to D-outlays.

$$F = D + W.$$

The welfare-type outlays, or W-outlays, will meet the needs of both the existing population (W_C component) and the needs of current increment of population (W_I component).

$$W = W_C + W_I$$

W_I expenditures involve setting up expenses to continue to maintain the welfare level implied by W_C expenditures. The W_I-expenditures will depend upon the ratio (p) of annual population increment to current population.

$$W_I = (10\ p)\ W_C.$$

Over a long period, the demand for welfare-outlays (W_C) will be based upon what people can afford and are hypothesised to absorb a constant percentage of national income, i e,

$$W_C = 0.0725\ Y$$

The equivalent growth outlays (G) are the sum of direct development outlay (D) and the effect of W_C and W_I expenditures. Since W-outlays are



TABLE 8: PER CAPITA INCOME INDICES PROJECTIONS

GFR Path/Year	1971	1976	1981	1991	2001
195-195 Uncontrolled fertility	100	108	117	138	164
179-179 Present rate	100	109	120	147	184
179-160 Very high fertility	100	110	122	154	201
179-142 High fertility	100	110	124	162	220
179-120 Medium fertility	100	111	126	172	246
179-100 Low fertility	100	111	128	182	274
179-80 Very low fertility	100	112	130	193	306

TABLE 9: AGGREGATE CONSUMPTION BENEFITS PER BIRTH AVERTED AT 10 PER CENT DISCOUNT RATE, AT 1961 PRICES

GFR Path	Average Benefit over Uncontrolled Fertility (195-195) Per Birth Averted for a Horizon of				
	10	20	30 (Years)	40	50
179-179	70	290	600	960	1300
179-160	60	245	530	865	1200
179-142	57	225	500	830	1170
179-120	54	210	485	820	1160
179-100	52	205	475	810	1160
179-80	50	200	470	810	1160

TABLE 10: PER CAPITA CONSUMPTION BENEFIT PER BIRTH AVERTED AT 10 PER CENT DISCOUNT RATE, AT 1961 PRICES

GFR Path	Average Benefit over Uncontrolled Fertility Path (195-195) Per Birth Averted for a Horizon of				
	10	20	30 (Years)	40	50
179-179	710	1660	2700	3680	4560
179-160	650	1510	2500	3560	4490
179-142	620	1450	2470	3520	4470
179-120	600	1400	2430	3500	4480
179-100	580	1380	2420	3500	4490
179-80	570	1370	2420	3520	4500

shared by total population, only that portion expanded on current labour forces will cause a change in productivity and consequently an increase in Y. Therefore,

$$G = D + (e_C W_C + e_i W_i)_t L_t + (e_C W_C + e_i W_i)_{t-15} (1-L)_{t-15}$$

Where e_C and e_i respectively, are the weights assigned to W_C and W_I outlays. The capital-output ratio R is assumed to depend linearly on t giving.

R=m + nt, where m is the initial value and n is the rate of change of capital output ratio.

Finally, $Y_{t+1} = Y_t + G/R$.

Validation of the Model:

The robustness of the Coale-Hoover model was tested by comparing the actuals of the national income with the values predicted by the model for the period 1956-1967. The actual population figures and the following values of the parameters were used to predict national income,

e_C =0.5, e_i =0, m=3.0, and n=0.02.

The comparison is presented in Table 1. The comparison reveals that the actual and predicted values agree well for the first five years. But, for the subsequent years, the model consistently underestimates. We therefore compare actual direct developmental expenditures with the predicted developmental expenditures in Table 2. Since the actual F-outlays and D-outlays are substantially higher than the values projected by the model, the parameters need to be re-estimated.

Modification of the Model:

While retaining the basic structure of the Coale-Hoover model, we have made some changes in deriving the equivalent growth outlays. The F expenditures were defined by Coale and Hoover to include total public expenditures and net monetised private investment. We felt, however, that, from total government expenditures, we should exclude all administrative expenditures as these could be said to contribute directly to increased national income. We also follow a slightly different procedure for making an estimate of direct developmental expenditures and welfare type expenditures.

The total government expenditure and the net monetised investments were estimated as a proportion of the national income.[15] An examination of these outlays during 1956 to 1971 shows that these expenditures increased to 25 per cent of the national income. We make an assumption that it will stabilise at this level. The welfare and administrative expenses do not seem related to the national income. For instance, in 1966, the national income declined, whereas welfare and administrative expenses showed an increase. Therefore, we regressed welfare (W) and administrative expenses (A) on the equivalent consumer population (C). The equation is estimated to be

(W + A)=49.11C, where W and A are measured in 1952 prices.

Since the direct developmental expenditures (D) are equal to the total governmental expenditures plus net monetised private investment less welfare (W) and administrative expenses (A), the equation[16] relating D to Y and C is given by

D=0.25Y — 49.11C.

Since welfare expenditures are treated as purely a function of equivalent consumer population, we regress W on C to obtain the following relationship:

W=18.14C.

Using the values of welfare outlays W and population increment p, the W_C and the W_I components can be calculated using Coale-Hoover relationships. The weight e_i assigned to W_I expenditures used in computing equivalent growth outlays was assumed to be zero as in the Coale-Hoover model. The predicted and actual national income was compared for several values of e_C, the weight assigned to W_C expenditures. The best value of the parameter e_C was derived as 0.2.

Regarding the capital output ratio,[17] we use the Coale-Hoover formulation that it will be 3.0 + 0.02t. Thus, the model we used to estimate the economic benefits arising from different rates of population growth is as follows:[18]

$$D_t = 0.25\ Y_t - 52.577\ C_t \quad (1)$$

$$W_t = 19.424\ C_t \quad (2)$$

$$W_t\ (W_C)_t + (W_I)_t \quad (3)$$

$$(W_I)_t / (W_C)_t = 10p_t \quad (4)$$

$$G_t = D_t + e_C\ (W_C)_t\ L_t + e_C\ (W_C)_{t-15}\ (1-L)_{t-15} \quad (5)$$

$$R_t = 3.0 + 0{\cdot}02t \quad (6)$$

$$Y_{t+1} = Y_t + G_t/R_t \quad (7)$$

IV

Population Model

In projecting the population levels under various GFR paths, we have followed the component projection method which was the basis of Coale-Hoover projections also. The life tables need to be estimated for this purpose. We have modified the life tables used by Coale-Hoover. They assume that the survival probabilities of the age group 0-5 will increase and that the survival probabilities of other age groups will remain constant during 1971 to 1981. This leads to an estimated mortality rate decline from 13.4 in 1971 to 12.5 in 1981. However, projections made by the Registrar General of India imply a decline in mortality rate from 13 to 10 during that same period. To reflect this reduction, we have assumed that this decline will occur by a proportionate increase in survival probabilities for all age groups and have modified the Coale-Hoover life tables accordingly. The 1971 Census estimates population in that same year to be 546 million and we have used this as an estimate of the initial population.

Table 3 shows the projections made by using the model. It can be noted from this Table that even a high fertility reduction from GFR of 179 to 80 will lead to an increase in population from 546 million in 1971 to 694 million in 1986. The reduction in GFR to 40 by year 1985 is necessary to stabilise the population at 650 million by that time.

Births to be Averted:

Undoubtedly, an increasing number of births must be averted as a higher decline in fertility rate is desired. However, the number of births to be averted in a year between any two GFR paths is not obtained by taking simply the difference between the population levels in that year according to the two paths. The calculations of births averted in each year between two GFR paths involves three steps. First, the age-sex composition of the population at the beginning of the year, for the lower GFR paths, is estimated. Second, the number of births with the higher GFR and the lower GFR is estimated for this population. Third, the births averted is the difference between these two estimates of the number of births.

Following the above procedure, we have indicated in Table 4 the number of births that will have to be averted by the family planning programme in India for various GFR paths.

TABLE 11: AGGREGATE CONSUMPTION BENEFIT PER BIRTH AVERTED AT 20 PER CENT DISCOUNT RATE, AT 1961 PRICES

GFR Path	Average Benefit over Uncontrolled Fertility Rate (195-195) Per Birth Averted for a Horizon of				
	10	20	30 (Years)	40	50
179-179	55	160	230	270	290
179-160	50	140	220	260	280
179-142	45	135	215	260	280
179-120	40	130	210	260	270
179-100	40	130	210	260	270
179-80	40	130	210	260	270

TABLE 12: PER CAPITA CONSUMPTION BENEFIT PER BIRTH AVERTED AT 20 PER CENT DISCOUNT RATE, AT 1961 PRICES

GFR Path	Average Benefit over Uncontrolled Fertility Rate (195-195) Per Birth Averted for a Horizon of				
	10	20	30 (Years)	40	50
179-179	580	1050	1300	1420	1460
179-160	540	1000	1300	1430	1480
179-142	525	1000	1290	1440	1500
179-120	510	970	1290	1440	1500
179-100	500	970	1290	1440	1500
179-80	490	970	1290	1450	1510

TABLE 13: COST PERFORMANCE OF FAMILY PLANNING PROGRAMME

Year	Expenditure in Million Rs		Acceptors of			Births Averted	Cost/Birth Averted
	Current Prices	1961 Prices	Sterilisation	IUCD	Conventional Contra	Million	Rs
1961	9.8	9.8	0.80	0	0.16	0.160	61.25
1962	13.9	13.65	0.16	0	0.24	0.308	44.31
1963	27.7	26.50	0.20	0	0.25	0.378	70.10
1964	21.7	18.80	0.22	0	0.27	0.415	45.30
1965	65.2	51.70	0.32	0	0.42	0.607	85.17
1966	120.0	88.00	0.70	0.68	0.62	1.760	50.00
1967	133.8	86.00	0.90	0.92	0.50	2.250	38.22
1968	265.3	158.00	1.84	0.80	0.40	3.746	42.17
1969	387.0	230.00	1.74	0.44	1.00	3.416	67.33
1970	520.0	300.00	1.48	0.48	1.52	3.08	97.40

Notes: Sterilisation = 1.7 births prevented over 10 years.
IUCD = 0.7 births prevented over 5 years.
Conventional contraceptive couple year of protection = 0.15 births averted.

V

Benefits

In this section, the economic benefits of different GFR paths is examined. The basis for estimating the benefits is the model already outlined in Section III.

Income Projections for GFR Paths:

The national and per capita income for different GFR paths are presented in Tables 5 through to 8. Figure 2 is a graph of national income and per-capita income over time for present fertility rate (GFR path 179-179) and very low fertility rate (GFR path 179-80).

The difference in national income between the highest and the lowest fertility paths is only Rs 2.5 billion by 1981. This difference increases to Rs 23 billion or 5 per cent of the national income by 1991. Thus, the effect of family planning programmes on the national income is not significant for the next 20 years. These effects become significant only at the end of 40 years.

However, the impact of a successful family planning programme on the per capita income is striking. The per capita income due to a fertility decline of 55 per cent over the next 15 years (i e, GFR path 179-80) is higher by 12 per cent in 1981, 50 per cent 1991 and 90 per cent by 2001 over the per capita for uncontrolled fertility rate. Whereas, in the absence of any further decline in fertility rate, the per capita income only increases by 85 per cent during 1971-2001, a successful family planning programme will increase it by 200 per cent during the same period.[19]

Benefits Per Birth Averted:

Several estimates have been made of the benefits or value of a birth averted in the Indian context. (S Enke and R Zind,[20] Repetto,[21] Simon,[22] Simmons[23].) These estimates range from Rs 1,000 to Rs 8,000.[24] Obviously, benefits per birth averted depend upon the GFR path, the discount rates and the time horizon chosen. Further, these benefits can be measured either by using the increase in aggregate consumption or income or the increase in per capita consumption or income. There is no consensus either on the procedure used for measurement of the benefits or the value of parameters used such as interest rates and horizon. These differences largely explain the wide variations in the estimates of the value of a birth averted. While the justification of the family planning programmes can be achieved by comparing the lowest of these benefit estimates with the present cost estimates, a more rational allocation of funds will require a precise estimation of the total and marginal benefits of GFR paths. Indeed, as we shall see later, the justification of schemes such as monetary incentives, designed to increase the participation in family planning programmes depends upon how the benefits are measured.

FIGURE 1: SCHEMATIC REPRESENTATION OF ANALYSIS PROCEDURE

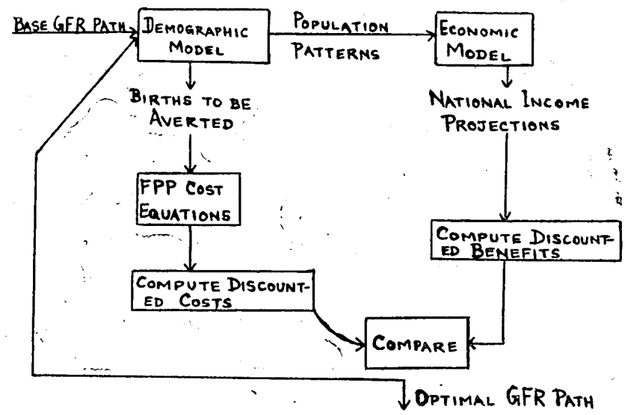


TABLE 14 : DATA ON NUMBER OF ACCEPTORS AND NON-DIRECT COSTS OF FAMILY PLANNING PROGRAMME

Year	Acceptors of			Total Acceptors	Direct Cost Rs Million	Non-direct Cost Rs Million
	Sterilisation	IUCD	Conventional			
1961	0.08	0	0.16	.24	4.80	5.00
1962	0.16	0	0.24	.40	8.00	5.65
1963	0.20	0	0.25	.45	9.00	17.50
1964	0.22	0	0.27	.49	9.80	9.00
1965	0.32	0	0.42	.74	14.80	36.90
1966	0.70	0.68	0.62	2.00	40.00	48.00
1967	0.90	0.92	0.50	2.32	46.40	39.60
1968	1.84	0.80	0.40	3.04	60.78	97.22
1969	1.74	0.44	1.00	3.18	63.60	166.40
1970	1.48	0.48	1.52	3.48	68.60	231.40

TABLE 15: ANNUAL COSTS OF GFR PATHS USING COST PATTERN 1, AT 1970 PRICES (Rs billions)

GFR Path/Year	1971	1976	1981	1986	1991	1996	2001
179-179	0.13	0.17	0.23	0.30	0.42	0.55	0.75
179-160	0.15	0.42	0.93	1.80	2.30	2.90	3.70
179-142	0.19	0.75	2.10	4.20	5.40	6.60	8.10
179-120	0.21	1.30	4.10	8.70	10.70	12.80	14.60
179-100	0.25	2.00	6.60	14.00	17.00	19.00	21.00
179-80	0.28	2.80	9.80	19.00	24.00	26.00	27.00

Given two GFR paths, A and B, the aggregate consumption effect and per capita consumption effect can be measured as given in Section II. The births that need to be averted can be computed by the procedure described in Section IV. The benefit per birth averted due to the GFR path B over A is given by the ratio of discounted present value of the benefit in each year t to the discounted present value of the births averted in each year t i e:

$$\sum_{t=1}^{N} [\text{benefit (B)} - \text{benefit (A)}]_t \, (1+i)^{-t}$$

$$\sum_{t=1}^{N} [\text{births to be averted (B)} - \text{births to be averted (A)}] \, (1+i)^{-t}$$

Tables 9 and 12 present the estimate of benefits per birth averted for various combinations of interest rates and horizons. From these Tables several observations can be made.

(1) The per capita consumption benefits per birth averted at 10 per cent discount rate and 30-year horizon are Rs 2,500 (at 1961 prices), or Rs 3,900 (at 1970 prices). But the effect of horizon and discount rates are significant. This estimated value increases by 80 per cent when a 50-year horizon is considered. For a time horizon of 30 years, the estimated benefits are only half of its value at 20 per cent as they are at 10 per cent interest rate.

(2) At 30 per cent interest rate, the per capita consumption benefits stabilise at Rs 750 at a 30-year horizon. A consideration of longer periods has a negligible effect.

(3) As is generally agreed, the per capita consumption benefits are higher than aggregate-consumption benefits. It is worth mentioning, however, that these differences are very significant. For a discount rate of 10 per cent and a horizon of 30 years, the per capita consumption benefits are approximately five times the aggregate consumption benefits. If we consider a time horizon of 20 years, the difference is even higher. In other words, of the total

FIGURE 2

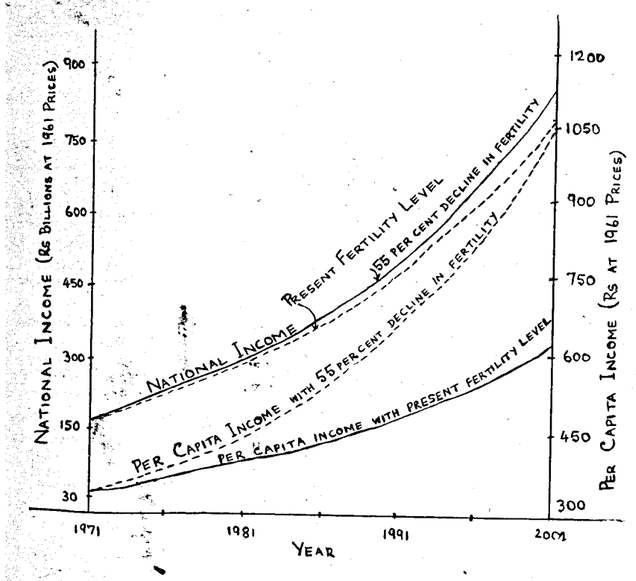


TABLE 16: BENEFITS AND COSTS OF GFR PATHS IN RS BILLION; AGGREGATE CONSUMPTION BENEFITS, COST PROCEDURE 1, DISCOUNT RATE 10 PER CENT

GFR Path	30-Year Horizon				40-Year Horizon			
	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost
179-179	13.2	1.6	13.2	1.6	22.4	1.8	22.4	1.8
179-160	19.5	4.6	6.3	3.0	34.8	5.3	12.4	3.5
179-142	25.5	8.9	6.0	4.3	46.3	10.3	11.5	5.0
179-120	32.8	16.0	7.3	7.1	60.3	18.4	14.0	8.1
179-100	39.4	24.2	6.6	8.2	72.9	27.4	12.6	9.0
179-80	45.9	33.8	6.5	9.6	85.4	37.7	12.5	10.3

benefits received due to the family planning programme, only about 20 per cent are due to the faster growth of the economy. The other 80 per cent arise because there are fewer people to share this income.

VI

Costs of GFR Paths

The procedure for estimating the expenditures necessary to achieve a particular GFR path is as follows. We first estimate the cost of averting a given number of births in any year. Since the number of births that need to be averted can be calculated by the procedure given earlier in Section IV, the cost of a GFR path for each year can be derived. The discounted present value of these costs, then is the cost of achieving a GFR path.

Cost of Births Averted in a Year:

There are two components of the total cost of a family planning programme: direct cost of providing services and non-direct costs of education and motivation.

The difficulty in estimating direct costs stems from their dependence on the type of method used to avert births.[25] The methods used depend upon the demographic characteristics of the population and the availability of services. The non-direct cost of motivation will increase as the family planning programme increases in scope.[26] The cost of a birth averted in India has increased from Rs 40 in year 1968 to Rs 100 in year 1970 (Table 13).

We shall use two procedures for estimating the cost functions using historical data. In the first procedure, we directly relate the total cost to the number of births averted. The second procedure considers the direct and non-direct motivational costs separately.

First Procedure:

The past cost performance of the Indian family planning programme is shown in Table 13. An examination of the relationship leads us to believe[27] that a quadratic function would best express the relationship between births averted and cost. Three points (0.35, 20), (2.0, 88), and (3.25, 2.55), were chosen to fit a quadratic function.

$$T = 29.8 - 42.5\,X + 35.8\,X^2$$

where T=total cost at 1961 prices, Rs million. X=number of births averted in millions. The marginal cost of a birth averted is given as $dT/dx = -42.5 + 71.6\,X$, which implies that the marginal cost of a birth averted after 7 million births have already been averted is Rs 458.

Second Procedure:

Assuming that the direct cost is Rs 20 per acceptor,[28] the non-direct costs of motivation, etc, are related to the number of acceptors. Table 14 shows the past data in terms of number of acceptors and the non-direct costs. Once again a quadratic curve is fitted using the three points (0.4 12), (1.5, 40) and (3.4, 195). The relationship[29] is estimated as

$$TND = 13.04 - 10.09Y + 18.70\,Y^2$$

where

TND = total non-direct cost at 1961 prices, Rs million.

Y = number of acceptors, million.

To estimate the total cost, it is necessary to evaluate the number of acceptors needed to avert a desired number of births. We assume that the ratio of acceptors to births averted as in 1970 will continue to hold in the future, (i e, 3.125 births will be averted by 3.5 acceptors).[30]

Hence,

$$T = 20.0Y + 13.04 - 10.09Y + 18.70Y^2$$

$$Y = (3.5/3.125)\,X.$$

Under this procedure the marginal cost of averting a birth after 7 million births have been averted is Rs 380. Up to 5 million births averted, the first procedure results in a lower average cost estimate than the second procedure. Beyond this range, the average cost estimates using the first procedure are higher. As will be seen later, the choice of the cost-procedure does not significantly affect optimal targets.

Estimating Costs of GFR Paths to Government:

It is perhaps worthwhile to examine the annual expenditures to be borne by the Government of India for various target GFR paths. These are presented in Table 15. The Fourth Five-Year Plan aimed at reducing the birth rate from 39 per thousand (in year 1969) to 25 per thousand by year 1981. This would imply a GFR path of 179-80. The Fourth Five-Year Plan expenditure of Rs 3,150 million tallied well with our cost estimates for the same period. However, to ensure this rate of fertility decline (i e, GFR path of 179-80), the total amount of expenditure called for during the Fifth Five-Year Plan is Rs 16,000 million.

VII

Benefit-Cost Analysis

In Section III, we constructed an economic model to derive the economic benefits by different GFR paths. In the subsequent sections, we outlined the procedures for deriving the costs attached to different GFR paths. Now, we make a comparison of the benefits and costs for different GFR paths with a view to choosing the optimal path. For choosing the optimal path, we need to look not only at the total benefits and costs of each path but also at the additional or marginal costs and benefits of each path compared to the previous path of smaller declines in fertility. Tables 16 to 23 list these benefits and costs using both aggregate consumption and per capita consumption effect for interest rates of 10 and 20 per cent and time horizons of 30 and 40 years. The most desirable GFR path is the one at which the marginal benefits and marginal costs are equal. Assuming that other developmental outlays can be made to yield a given rate of return, equating marginal benefit with marginal cost will maximise the net present value. Any further expenditures beyond this level will not give that return. Table 24 shows the most desirable paths for different interest rates and horizons.

We observe from this Table that using the aggregate consumption effect, the present national targets of a GFR path 179-80 are economically justified only if an interest rate of 10 per cent and a horizon of 40 years is used. At higher interest rates and/or smaller horizon periods, such an effort is not warranted. At 20 per cent interest rate, the horizon values of 30 years or beyond do not affect the analysis. However, this value seems high.[31] At interest rates of 10 per cent to 15 per cent, a GFR path of 179-120 will perhaps be most desirable. However, using per capita consumption effects, a massive reduction in fertility rates can be justified.

When the aggregate consumption effect is used, the benefit-cost ratio at optimum GFR path is approximately two. This implies that approximately 50 per cent of the higher benefits due to family planning will have to be spent on the family planning programme. When the per capita consumption effect is used, the present targets imply a benefit-cost ratio in the range of four to six. A major consideration that emerges is which of the two effects — aggregate consumption effect or per capita consumption effect should be used to measure benefits. Many writers have chosen the latter. The choice of this criterion, however, raises other issues which we discuss in the next Section. If the aggregate consumption effect is treated as the appropriate criterion, then the choice of the values of interest rates and horizons becomes an important issue.

TABLE 17: BENEFITS AND COSTS OF GFR PATHS IN RS BILLION; AGGREGATE CONSUMPTION BENEFIT AND COSTS OF GFR PATHS, RS BILLION

GFR Path	30-Year Horizon				40-Year Horizon			
	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost
179-179	2.4	0.7	2.4	0.7	2.9	0.7	2.9	0.7
179-160	3.4	1.6	1.0	0.9	4.2	1.6	1.3	0.9
179-142	4.4	2.8	1.0	1.2	5.4	2.8	1.2	1.2
179-120	5.5	4.8	1.1	2.0	6.8	4.9	1.4	2.1
179-100	6.6	7.0	1.1	2.2	8.1	7.2	1.3	2.3
179-80	7.6	9.7	1.0	2.7	9.5	9.9	1.4	2.7

TABLE 18: BENEFIT AND COST OF GFR PATHS IN RS BILLION; AGGREGATE CONSUMPTION BENEFITS, COST PROCEDURE 2, DISCOUNT RATE 10 PER CENT

GFR Path	30-Year Horizon				40-Year Horizon			
	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost
179-179	13.3	1.2	13.3	1.2	22.4	1.4	22.4	1.4
179-160	19.6	4.8	6.3	3.6	30.7	5.8	12.3	4.4
179-142	25.5	10.6	5.9	5.8	46.3	12.5	11.6	6.7
179-120	32.8	20.5	7.3	9.9	60.3	23.8	14.0	11.3
179-100	39.4	32.0	6.6	11.5	72.9	36.6	12.6	12.8
179-80	45.9	45.8	6.5	13.8	85.4	51.3	12.5	14.7

TABLE 19: BENEFIT AND COST OF GFR PATH IN RS BILLION; AGGREGATE CONSUMPTION BENEFITS, COST PROCEDURE 2, DISCOUNT RATE 20 PER CENT

GFR Path	30-Year Horizon				40-Year Horizon			
	Total	Discounted	Marginal	Discounted	Total	Discounted	Marginal	Discounted
179-179	2.4	0.5	2.4	0.5	2.9	0.5	2.9	0.5
179-160	3.4	1.5	1.0	1.0	4.1	1.6	1.2	1.1
179-142	4.4	3.1	1.0	1.6	5.4	3.1	1.3	1.5
179-120	5.5	5.7	1.1	2.6	6.8	5.9	1.4	2.8
179-100	6.6	8.9	1.1	3.2	8.1	9.1	1.3	3.2
179-80	7.6	12.6	1.0	3.7	9.5	12.9	1.4	3.8

VIII

Implications of the Study

The benefit-cost analysis carried out here is not intended to directly compare family planning programme outlays with the other developmental outlays. One of the principal difficulties in making such a comparison is that different types of benefits are desired from these investments. The family planning programme outlays are made to decrease the population growth so that the consumption thus freed up could be directed towards increased developmental outlays which would subsequently increase the consumption level of the population. The developmental investments, on the other hand, are made to increase the output directly. Also, many non-eco-

TABLE 20 : BENEFITS AND COSTS OF GFR PATHS IN RS BILLIONS; PER CAPITA CONSUMPTION BENEFITS, COST PROCEDURE 1, DISCOUNT RATE 10 PER CENT

GFR Path	30-Year Horizon				40-Year Horizon			
	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost
179-179	58.8	1.6	58.8	1.6	86.3	1.8	86.3	1.8
179-160	93.4	4.6	34.6	3.0	142.8	5.3	56.5	3.5
179-142	125.9	8.9	32.5	4.3	195.3	10.3	52.5	5.0
179-120	165.3	16.0	39.4	7.1	258.3	18.4	63.0	8.1
179-100	200.7	24.2	35.4	8.2	314.4	27.4	56.1	9.0
179-80	235.8	33.7	35.1	9.5	369.5	37.7	45.0	10.3

TABLE 21 : BENEFITS AND COSTS OF GFR PATHS IN RS BIILLON; PER CAPITA CONSUMPTION BENEFITS, COST PROCEDURE 1, DISCOUNT RATE 20 PER CENT

GFR Path	30-Year Horizon				40-Year Horizon			
	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost
179-179	13.8	0.7	13.8	0.7	15.1	0.7	15.1	0.7
179-160	20.3	1.6	6.5	0.9	22.6	1.6	7.5	0.9
179-142	26.4	2.8	6.1	1.2	29.7	2.8	7.1	1.2
179-120	33.9	4.7	7.5	2.0	38.3	4.9	8.6	2.0
179-100	40.6	7.0	6.7	1.3	46.0	7.2	7.7	2.3
179-80	47.3	9.7	6.7	2.7	53.6	9.9	7.6	2.7

TABLE 22 : BENEFITS AND COSTS OF GFR PATH IN RS BILLIONS PER CAPITAL CONSUMPTION BENEFITS, COST PROCEDURE 2, DISCOUNT RATE 10 PER CENT

GFR Path	30-Year Horizon				40-Year Horizon			
	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost
179-179	58.8	1.2	58.8	1.2	86.3	1.4	86.3	1.4
179-160	93.4	4.8	34.6	3.6	142.8	5.8	56.5	4.3
179-142	125.9	10.6	32.5	5.8	195.3	12.5	52.5	6.7
179-120	165.3	20.5	39.4	9.9	258.3	23.8	63.0	11.3
179-100	200.7	32.1	35.4	11.6	314·4	36.6	56.1	12.8
179-80	235.8	45.7	35.1	13.6	369.5	51.3	55.1	14.7

TABLE 23 : BENEFITS AND COSTS OF GFR PATHS IN RS BILLION; PER CAPITA CONSUMPTION BENEFITS, COST PROCEDURE 2, DISCOUNT RATE 20 PER CENT

GFR Path	30-Year Horizon				40-Year Horizon			
	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost	Total Benefit	Discounted Cost	Marginal Benefit	Discounted Cost
179-179	13.8	0.5	13.8	0.5	15.1	0.5	15.1	0.5
179-160	20.3	1.5	6.5	1.0	22.6	1.6	7.5	1.1
179-142	26.4	3.1	6.1	1.6	29.7	3.2	7.9	1.6
179-120	33.9	5.7	7.5	2.6	38.3	6.0	8.6	2.8
179-100	40.6	8.9	6.7	3.2	46.0	9.1	7.7	3.1
179-80	47.3	12.6	6.7	3.7	53.6	12.9	7.6	3.8

nomic considerations are involved. Since both these types of outlays complement each other in a nation's goal of economic development, a much larger analysis incorporating many dimensions of economic development will be necessary to study the trade-offs between these two investments. Our analysis, by using a discount factor, implicitly assumes that other opportunities are available for investments earning a return equal to the discount rate used.

This study was intended to answer a specific question — what family planning programme targets are economically desirable for India. Our study shows that there is no unique answer. As already stressed, the benefits and costs depend upon the interest rates, length of the planning horizon and the criterion used to measure benefits.

A major consideration that arises in this context is the criterion used to measure benefits. The benefits using per capita consumption effects are about 5 times the benefits using aggregate-consumption benefits. The use of aggregate consumption benefits as a criterion causes no particular problem. However, the use of per capita consumption benefits to justify massive family planning programme efforts needs further examination. There are two issues involved: The distribution of per capita consumption and the identification of the types of expenditures. The latter issue becomes pertinent even when aggregate-consumption effects are used.

It is only under conditions when the benefits flowing from family planning programme efforts are distributed equitably, there is a justification for using the criterion of per capita consumption effects. There is no evidence to indicate that this has been the case so far. Thus, while the per capita increase in consumption due to family planning programmes will be realised, the benefits are unlikely to be equitably distributed over all income groups, unless specific steps are taken towards such a redistribution of increased income. In the absence of such steps, it is questionable if per capita consumption benefits can be used.

It has been argued[32] that since a portion of the expenditures involved in the family planning programme are transfer payments, they should not be considered as part of costs in the benefit-cost analysis. To examine this contention, we need to identify the measures suggested for enlarging the scope of family planning programmes and the related expenditures.

The costs of family planning programme expenditures can be analysed in terms of three components: expenditures that reduce the available consumption, expenditures that distribute the released aggregate consumption and the expenditures that redistribute increased per capita consumption.

Most of the direct costs of the family planning programme reduce available consumption. Some of the non-direct costs for purposes of education and motivation also fall in this category. A significant portion of the present family planning programme efforts are of these two types. It is expected that these costs will rise at a faster rate as the number of births that need to be averted increase. Since our cost estimates were an extrapolation of the past experiences, we have compared these types of costs to the increase in aggregate consumption benefits. These are real costs (opportunity costs), and our analysis has indicated that at the optimal level of operation of family planning programmes, this type of expenditure will approximately be 50 per cent of the aggregate consumption effects, thus making it possible to use the other 50 per cent for transfer payments. A portion of the non-direct costs distributes the aggregate consumption released by family planning programmes. Many financial incentive schemes[33] that involve payments at the time of birth prevention fall into this category. It is interesting to note that such a proposal made by Sirageldin and Hopkins[34] agrees with the results of our study. They suggest cash payments on an ongoing basis with frequent examinations of women participating in the birth control programme. The cost of such a scheme is estimated to be approximately 50 per cent of the benefits. Therefore, these types of measures may be used to distribute the other half of the aggregate benefits.

It may be recalled that the increased per capita consumption results is due to two factors: increased availability of aggregate-consumption and fewer consumers sharing it. The latter accounts for approximately 80 per cent of the total effect. These benefits can be used to justify the incentive schemes resulting in delayed payments of a large magnitude. Several such proposals have been made such as issue of bonds. A weakness of these proposals is that they do not include explicitly how such a measure would help redistribute the increased consumption due to a smaller population equitably. This study points out why such an equitable redistribution is essential. It should be noted that by year 2001, the magnitude of the amount of consumption to be redistributed is approximately one-third of the total consumption in that year. Also a more detailed analysis of the ways of raising money for these schemes without causing more inequities in the per capita consumption is required Further research is needed in this direction.

If per capita consumption effect is used to justify a massive family planning programme measures for redistributing such benefits must be instituted. Unless these are done, the family planning programme may not achieve credibility.

IX

Summary

In this paper, the benefit-cost analysis is used to investigate the optimal targets for Indian family planning programme. An economic and demographic model, similar to that of Coale-Hoover, is constructed and validated to measure the benefits of fertility declines. Two types of effects are used to estimate benefits: aggregate consumption effects and per capita consumption effects. The costs of achieving the fertility declines are estimated using equations based upon the past data. The benefits and costs of successive higher declines in fertility are compared to derived optimal targets.

The analysis points out that the benefits and costs are sensitive to interest rates and horizons of analysis. Therefore, the optimal targets depend upon the values selected for these parameters. But the most significant factor is the type of effect used to measure benefits. The aggregate consumption effects are estimated to be only 20 per cent of the per capita consumption effects. It is concluded that a decline in general fertility rates from 179 to 120 (approximately 30 per cent) by 1985 is justified based upon aggregate consumption effects. However, a much higher decline in fertility is indicated if the per capita consumption effects are used to measure benefits.

The study, therefore, reveals the interactions among per capita consumption distribution, measures suggested for fertility declines, and the financing of these measures.

TABLE 24 : MOST DESIRABLE GFR PATHS

Interest Rate	Aggregate Consumption Effect				Per Capita Consumption Effect			
	Horizon 30 Years		Horizon 40 Years		Horizon 30 Years		Horizon 40 Years	
	Cost Procedure I	Cost Procedure II	Cost Procedure I	Cost Procedure II	Cost Procedure I	Cost Procedure II	Cost Procedure I	Cost Procedure II
10 per cent	179-120	179-142	179-60	179-60	Massive Reduction	Massive Reduction	Massive Reduction	Massive Reduction
20 per cent	179-160	179-160	179-142	179-150	Massive Reduction	Massive Reduction	Massive Reduction	Massive Reduction

Notes

1 Coale, A J, and Hoover, E M, "Population Growth and Economic Development in Low Income Countries — A Case Study of India's Prospects", Princeton University Press, 1958.

2 Enke, S, 'The Economic Aspects of Slowing Population Growth', *The Economic Journal*, March 1966, Volume LXXVI, Number 301; Enke, S, 'Raising Per-Capita Income through Fewer Births', *68 TMP9*, General Electric Company, Tempo, Santa Barbara, California; Enke, S, 'Sensitivity Analysis of the Economic Demographic Model', *69 TMP-52* General Electric Company, Tempo, Santa Barbara, California.

3 Simon, J L, 'The Value of Avoided Births to Underdeveloped Countries', *Population Studies*, March 1969, Volume XXIII, Number 1, pp 61-68.

4 Repetto, R, (Ph D dissertation, Harvard University, Cambridge, Massachussets 1967).

5 Simmons, G B, "The Indian Investment in Family Planning", The Population Council, New York, 1971.

6 For a comprehensive review, see Robinson, W C, and, Horlacher, D F, 'Population Growth and Economic Welfare', *Reports on Population/Family Planning*, February 1971, Number 6.

7 Myrdal, G, "An Approach to the Asian Drama", Vintage Books, 1970.

8 Liebenstein, H, 'Pitfalls in Benefit-Cost Analysis of Birth Prevention', *Population Studies*, July 1969, Volume XXIII, Number 2, pp 161-171.

9 Government of India, Mimeo.

10 See Section III.

11 We are ignoring the effect of different welfare outlays of the government on the aggregate consumption. This effect is given by $W^t(B) - W^t(A)$. Since welfare outlays are assumed to be proportional to the equivalent consumer population and the consumer population is smaller under GFR path B, we are slightly overestimating the aggregate consumption effect. However, the per capita consumption effect remains unaffected.

12 For a detailed discussion of the arguments leading to this model see Coale-Hoover.

13 The comparison is limited to 1966 because of the economic disturbances in 1967 and 1968. This period covers the Second and Third Five-Year Plans and is, therefore, expected to be representative of the economic situation beyond 1970.

14 The population is adjusted by assigning children of under 10 years a weight of 0.5, females 10 and older a weight of 0.9, and males 10 and older a weight of 1.0, to arrive at the equivalent consumer population.

15 Our efforts to directly relate F-outlays to the national income and equivalent consumer population had to be abandoned as national income and equivalent consumer population are collinear during this period.

16 These relationships can be compared to the relationships used by Coale-Hoover. According to them, $D=F-W_C - W_I - 0.80Y - 49.27C - 0.0725Y - (0.0725)Y(10p)$, for a population increment of $p \leq 0.02$, $D = 0.226Y - 27C$. Thus for the same equivalent consumer population C, our model will predict higher direct developmental outlays.

17 Some authors have estimated this ratio to be around 2.7. For instance, see, "Estimates of Incremental Capital Output Ratio for the Indian Economy, 1950-51 to 1973-74", Planning Commission, Perspective Planning Division, September 1969, Government of India. Using a higher capital output ratio underestimates the benefits of the fertility declines.

18 The initial conditions for year 1971 are set as follows:
$Y_o = 179.55$ Rs billions.
The values of L_t and (W_C) expenditures at five-year intervals for the period 1956-1971 are given by 0.398, 0.392, 0.385, 0.38 and 6.42, 7.07, 6.84 and 7.66 Rs billions, respectively. In equations 1 and 2, the co-efficients of Ct are higher than the figures cited earlier because they have been adjusted from 1952 prices to 1961 prices.

19 The effect of fertility decline is still significant when a correction is made for the age-distribution of the population. Per-equivalent consumer income increase by 180 per cent during the period 1971-2001 for a GFR path 179-80.

20 Enke, S, and Zind, R, 'Effect of Fewer Births on Average Income', *Journal of Biosocial Science*, January 1969, Number 1, pp 41-56.

21 *Op cit.*

22 *Op cit.*

23 *Op cit.*

24 Simmons felt the best estimate of the current marginal value of a birth prevented due to a 20 per cent to 30 per cent reduction in fertility was Rs 7,800 or about 14 times India's per capita income in 1967-1968.

25 These costs vary considerably. For instance, Enke, S, "The Economic Aspect of Slowing Population Growth', gives the following estimates of direct cost:

Method	Cost$
Zero Control	0.00
Withdrawal	0.25
Rythm	0.50
Condom	12.00
Foam Tablet	12.00
Diaphragm	4.50
Pills	90.00
Vasectomies	3.00

(These estimates may need to be revised.)
All of these costs are not borne by the Indian family planning programme. For instance, condoms are subsidised by foreign aid.

26 There is almost unanimous agreement that these costs will rise. It was observed in a recent report on the national family planning programme of Korea and Taiwan that, "Both countries have become increasingly aware that, to keep the birth rate going down, they must invest more money than before", Ross, J A, Dee Woo Han, Keeny, S M, and Cernada, G, "Korea/Taiwan 1969: Report on the National Family Planning Programmes", *Studies in Family Planning*, June 1970, 1, Numbers 54, 15. The monetary incentive schemes suggested by several persons have costs ranging from Rs 200 to Rs 600. See Ridker, R G, 'Synopsis of a Proposal for a Family Planning Bond', *Studies in Family Planning*, June 1969, 1, Number 43, pp 11-16. Siragel-din, I, and Hopkins, S, 'Family Planning Programmes: An Economic Approach', *Studies in Family Planning*, February 1972, Volume 3, Number 2; Rogers, E M, 'Incentives in the Diffusion of Family Planning Innovations', *Studies in Family Planning*, December 1971, Volume 2, Number 12.

27 It has been assumed that a sterilisation averts 1.7 births. However, these births are averted on an average over 10 years. By assuming that all these births are averted in the same year, we are overestimating the births averted and consequently underestimating costs. This effect is partially offset by ignoring the number of births already averted due to sterilisation performed in the previous years.

28 The direct cost is estimated as Rs 30 per vasectomy, Rs 11 per IUCD, and Rs 8.5 per conventional contraceptive acceptor. A weighted average of these costs gives us the direct cost per acceptor.

29 This and the earlier fit are subjective and can be questioned. Unfortunately, better base for cost estimation is not available. As noted earlier, costs are expected to rise as the scope of family planning increases. Micro comparison of various experimental studies have been carried out by Mack, Newell B, "The Cost of Control', "Mass Communication and Family Planning", Editor Bogue, Chicago University Press, 1967. He postulates an S-curve relating births averted to the cost. Since we are approximately only in the range where marginal costs are increasing, a quadratic curve fit agrees with the postulates.

30 Another possible assumption is that the sterilisation and IUCD acceptors will stabilise at 1.3 million and 0.5 million level of 1970. The remaining number of births will be averted by acceptors of "conventional contraceptive couple years of protection". This will result in an increase in the acceptors per birth averted.

31 Chakravarthy, P S, "Capital Formation and Economic Development", Rosenstein-Rodan (Editor), Cambridge, Mass, MIT Press, 1964, pp 66, estimates shadow rate of interest to be between 8 per cent and 12 per cent with a mean of 10 per cent.

32 Pohlman, E, "How To Kill Population", The Westminster Press, 1972.

33 See Rogers (Note 26 above) for a typology and the general effect of incentives.

34 *Op cit.*

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

On the Latin American View of Underdevelopment

Vinod Vyasulu

The theory stemming from the work of Latin American, mainly Chilean, economists is here examined from various points of view.

The paper is divided into four sections. The first part presents the Latin American perspective by discussing the ideas of eminent scholars. Building upon this, the second part deals with what may justifiably be called the Latin American Theory of Underdevelopment. The third section attempts to place this Latin American Theory in the more general background of the history of economic ideas. The study makes it unnecessary to point out what a promise the work of the Latin American, especially Chilean, scholars holds out for students of society everywhere. Therefore, in section four, only a brief evaluation is attempted and some conclusions are drawn.

I

The Latin American Perspective

THIS work has its starting point in the work of some Latin American social scientists. It is necessary, then, at this point to present a cross-section of their views. No attempt is made to present a complete picture of each writer's theories. What we examine are some of their ideas, ideas that are representative of the trend of thought in the underdeveloped countries in general, and Latin America in particular. In the ferment that these countries are undergoing, it is possible to discern many trends; it must be recognised that the one we have picked is only one such. But it is one that has a long and respectable history, and one which seems to hold great promise for future research.

Early Writings

The perspective that we have picked for study is Marxian. Marx has been an impressive though vague figure in Latin America. Marx's son-in-law, Paul Lafargue, was Cuban by birth, but neither Marx, nor Engels, (nor, for that matter, Lafargue) paid much attention to Latin America. The little they wrote about the region is remarkable for its lack of valid information.

Jose Marti, who in the last century sacrificed his life for Cuba's freedom, best explains the idealism that Marx inspired in the Latin Americans. "Because he sided with the weak, he deserves honour" (Aguilar, 1968, p 68). Marti looks for the positive in Marx. He "studied ways to place the world on new foundations ... was not only a titanic arouser of the European workers' anger, but also a profound analyst for the reasons for misery and of human destiny. A man consumed by the desire to do good, he projected into everything that which was actually within himself: rebellion, a way forward, struggle" (p 69). This feeling is as true of today as it was of 1883. Marx offered hope to the coming generations.

This idealism for the future is also reflected in Tejera, who was concerned with (the present) "simple task of preparing", but also with the social problems that would appear in the future. "... while the party is taking all the overt, public action, do not overlook the vast underlying task of moral and intellectual education. Do not forget that, during this transformation that is to take place in our society, it is important in striving to maintain equality, that we do not merely allow those who are now on a higher plane to step down, but instead ensure that those who are now below will move ever upward" (Aguilar, 1968, pp 73-74). And in a final rush of idealism, "... socialism will not and should not intimidate any person. The bourgeoisie must be called upon to deal with the party cordially and courteously, and then perhaps, through mutual respect, we will achieve the final victory of justice". (The experience of Allende is a sad commentary in this context.)

This idealism disappeared in part by the next generation. The analysis of Luis Emilio Racabarren, a self-taught typographer and a deputy in the Chilean Parliament, is stronger and more pragmatic. By the early twenties of this century, the social and political conditions had also changed considerably. Racabarren's analysis shows that by then Chilean labour was active and sophisticated. He believed that the proletariat had the right to seize power, and that Chile's political history affirmed this right. Yet the revolution that he hoped for was a "revolution of folded arms, a general strike to force the powerful classes to be moral and just in all aspects of social life, but principally in their dealings with working men, with those who desire to better themselves culturally, with those who want to become more useful, better citizens, an integral part of society. His utopian dream is a forerunner of Allende's. [But it has resulted in modern Chile in fascism.] Racarbarren also cast his net wider. He knew that revolutionary sentiments are fostered by the rising aspiration levels fostered by the bourgeois revolution. He knew that, in the economic sphere, national frontiers are illusory. "No capitalist can criticise our international sentiments, since nothing is more international than capital. Capital has no flag — none, that is, aside from the pound sterling" (Aguilar, 1968, pp 92-3).

The most prominent early Marxist in Latin America was Jose Carlos Mariategui, a self-educated Peruvian worker of acute perception. In his view, the USA had not arrived at the crisis that European capitalism had faced by the early 1920s. In a Keynesian vein, he saw industrial development in the USA as entirely dependent on a vigorous rate of consumption by the native population. He foresaw the USA's need for external markets when its production would begin to exceed its consumption level. Noting the accumulation of gold in America, he noted prophetically in 1927 that that country's industrial development could no longer absorb its financial returns. Pushed on by her internal production problems he saw the USA embarking upon a vast imperialistic adventure that would shoulder the responsibilities of, and also accept the contradictions of, the global capitalist system. Recent studies in economic history show how amply his predictions have been fulfilled (Magdoff, 1969).

Prebisch Revolution

Raul Prebisch, and the Latin American Economic Commission (ECLA) which for a long time he headed, occupy a unique place in the Latin American world of ideas. Prebisch goes back to the world of Ricardo-Heckscher-Ohlin in his analysis of trade. Yet, paradoxically, he has invigorated the

Marxian tradition in Latin America.

He did this by accomplishing in the field of trade policy what Keynes accomplished in the field of employment policy. Keynes had a profound influence on Prebisch, founder and retired director of the Argentine Central Bank. A little known fact about Prebisch is that he authored one of the first Keynesian textbooks ever written — certainly the first one that was written by an economist who was outside the geographical and linguistic mainstream of Keynesian developments. And this metaphor becomes complete when we consider the *modus operandi* of Keynes and Prebisch. Both, by switching a crucial assumption, made an important policy prescription in the context of an important, contemporary and national problem. Keynes, by questioning the downward flexibility of wages, recommended increased government expenditures as a cure for unemployment. Prebisch, questioning the assumption of unconstrained competition in the dynamic setting of technological progress, recommended protection and import substitution industrialisation as a cure for economic backwardness. The work of each has had a tremendous impact in his world yet neither did anything violently new or original. One may justifiably wonder why no one has spoken of a Prebischian revolution?

The world, to Prebisch, is made up of Centre and Periphery: the advanced industrial areas and the backward agricultural ones. Classical theory, *ceteris paribus*, suggests that comparative advantage would lead to an optimal situation in which trade will benefit both parties, in relation to the terms of trade between them. Prebisch argues that in adynamic setting when technological progress is constantly taking place in the Centre, the terms of trade move progressively against the Periphery, and the benefits accrue step by step to the Centre, even though increases in output take place in both areas. Further, the Periphery itself is composed of two sectors, the external (export) sector and the domestic (production) sector. The rate of return is higher in the external than in the domestic sector, where, in addition, the gestation lag is long. The result is a malallocation of investments. The implications are clear: peripheral governments have to protect their economies in order not to deprive them of the benefits of foreign trade and investment; the rate of return has to be equalised in the two sectors, *via* subsidies to the domestic sector; given the infant industry argument, import-substitution industrialisation is the answer to the problem of development. Then, when the backward economies have caught up, they can take their equal place in the trading community of nations. Laissez-faire is most certainly Prebisch's ideal.

Prebisch has acquired a large following among peripheral economists. His work too has been intensely dissected (Flanders, 1959). ECLA has done valuable theoretical and empirical work. But signs of dissatisfaction began to appear among his junior colleagues in the 1960s. In the light of their own official findings, they have broken away from the rigid Prebisch mould. They find the earlier Marxist tradition more useful for analysis. And though they have gone on to develop a new theoretical perspective, Prebisch has had nothing to say about them. And this can be clearly seen by the nature of the essays that have been written in his honour (Di Marco, 1972).

Recent Writings

The break from Prebisch has received direction, and gathered momentum, from the work of Andre Gunder Frank. After receiving his Ph D from the University of Chicago, he travelled extensively in Latin America. He found that he had "to shed the scientific and political stereotypes which most of us, Marxists and non-Marxists alike, in the metropolis and in the colonies, have largely inherited from metropolitan capitalist development in the era of liberalism" (1967, xviii). He was forced to re-examine underdeveloped society from a new perspective, and found that many useful insights could be obtained by working on the lines suggested by Baran (1957). In order to understand this group of writers, it is essential to understand Frank.

In essence, Frank provides a vision for the analysis of the processes of development and underdevelopment. He throws out insights, ideas and hypotheses, many of them supported by historical evidence. His influence cannot be overestimated.

Frank published his basic work in the form of a research proposal in 1966. His starting point is the distinction between the *state of underdevelopment* which is the historical situation in which most parts of the world found themselves before modern capitalism, and the *process of underdevelopment*, which is the actual experience of the Periphery after it came into contact with the aggressive capitalism of the Centre. Underdevelopment, then, is a process in which economic conditions not only go from bad to worse but a trap from which escape is impossible within the existing framework of institutions, for these institutions sustain the underdevelopment process (Hayter, 1971).

Secondly, Frank rejects in the strongest possible terms the dualist interpretation of underdeveloped societies. According to this interpretation, these societies are economically schizophrenic: on the one hand, there are primitive, traditional sectors based on agriculture; on the other, most of them possess small, dynamic industrial sectors based on "rational" (market price) criteria. The two are, in an essential sense, independent of each other. The problem is one of dynamising the economy by letting the modern sector grow fast enough to absorb surplus labour that subsists in the traditional sector. This, in skeletal form, is the famous Lewis model, and holds even for the extensions of Fei, Ranis, and Jorgenson.

Frank's objections are the following: the dualism models are a-historical and run counter to fact. The capitalism of industrialised Europe and North America is not confined within national frontiers. It is a global system encompassing both the now-developed and the presently underdeveloped regions of the world (with the exception of the socialist camp). It has penetrated even the most remote areas of primitive society (Frank, 1969; Griffin, 1969; Stavenhagen, 1964). Capitalism is a system whose dynamic is the law of uneven development: using its own criterion of efficiency (profits) it builds upon the best elements in the system to the exclusion of all others. This leads to increasing disparities in the system. This is made more complex by the fact that this tendency to inequality is continually changing its form. Dual economies are simply the result of one such disparity manifesting itself. The two sectors are, in an essential sense, related to each other.

And, finally, Frank argues that this dynamic, in the context of expropriating the surplus in an international setting, creates a whole spectrum between Centre and Periphery. Thus, local centres come into being which are in the global context peripheries. The growth potential of these sub-centres is limited by their peripheral status.

From this framework, Frank derives a whole series of hypotheses: (i) the development of sub-centres is limited by their global peripheral status; (ii) the peripheral areas experience their greatest growth when their links with the centre are weakest; (iii) if, after a period of growth as in (ii) above, these links are restored, the peripheral impetus to growth disappears; (iv) the presently underdeveloped regions are precisely those that were most tightly linked to the centre in the past; (v) the latifundia, which were originally capitalist enterprises, themselves created the enterprises which enabled them to respond to growing national and international demand by expanding the aggregate of their capital, land and labour to increase the supply of their product; (vi) the latifundia which are today isolated and engaged in subsistence agriculture were not always so, but were sectors that underwent a drop in the demand for their product, or in their productive capacity.

After a discussion of many other facets of underdeveloped capitalism, Frank concludes that the national middle classes are inextricably linked to metropolitan interests, and that, as a consequence, it now has no role to play in the betterment of the presently underdeveloped countries. The national bourgeoisie is the "immediate enemy". Frank's views have been proven to be tragically correct so far as Chile is concerned, by recent events.

The others, taking the cue from Frank's seminal work, have written in similar vein. (Bodenheimer, 1970; Cordoso, 1969; Furtado, 1972; Sunkel, 1967; Veliz, 1967; 1969; Dos Santos, 1970; Rodney, 1972; to mention only a few.) The object here is only to show that there is a whole new school of Latin American thought developing. These scholars are not all agreed among themselves. One example of this is Ernesto Leclau's (1971) debate with Frank.

Leclau submits that Frank is correct in saying that the dualist interpretations of underdeveloped countries are false. But does it then follow that Latin American societies are capitalist? Leclau argues that Frank's categories are too broad, and that the error in the schema lies in the fact that Frank neglects the relations of production. "To affirm the feudal character of the relations of production in the agrarian sector does not necessarily involve maintaining a dualist thesis" (p 19 ff). Frank's error arises in part from his anxiety to show the irrelevance of the bourgeois-democratic stage in the development of Latin America. Frank and some of his followers, "by trying to situate the fundamental contradiction in the field of circulation rather than production ... can go no more than half-way towards an explanation of why development generates underdevelopment".

Enough has been said to establish the point that we have here a tradition of scholarship and also a school of thought. We turn now to this theory. It is pertinent to note that this work has not yet been assimilated into the current doctrines on development (Higgins, 1969).

II

Latin American Theory of Underdevelopment

Current research indicates that the analysis and insights that emerge from this work may be brought together in the following manner. This synthesis is tentative; it does not represent exactly the views or opinions of any one of these writers, and is indicative only of the broad trend that this work is taking.

The Latin American countries achieved political independence in formal terms in the last century, but they did not achieve economic independence. Dos Santos explains this dependence:

> "By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of dependence between two or more countries and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development" (1970, p 231).

There are many forms of dependence. Present-day dependence is basically of a technological nature (Kidron, 1965; Merhav, 1969). The underdeveloped countries are finding themselves in a position where technology and know-how comes from abroad. In a recent article, Samuelson writes: "Under modern trends of comparative advantage, American management knowhow (and for that matter management knowhow anywhere) and American mobile capital may find that their most efficient use is increasingly to employ foreign labour as a substitute for traditional American activities ... So under floating exchange rates and relatively free trade equilibrium, the United States might in turn become a headquarters economy. Our emphasis in employment would shift to services and away from manufacturing ... it would become normal for us to enjoy an unfavourable balance of merchandise trade ... this trade deficit would normally be financed by our current invisible items of interest, dividends, expatriated profits and royalties ..." (1972, p 2). Samuelson acknowledges that the Latin Americans are correct in their fears that the United States is becoming the centre of a worldwide system where other countries become dependent on its "know how". But nowhere does he analyse the factors that bring this about. His only (minor) fear is that this might not happen because of rising nationalism that will ignore comparative advantage! It certainly does not strike him that this technology might not be suited to the needs of the underdeveloped countries, or that this situation might be inimical to their interest. In typical fashion, as the Latin American scholars claim, he is not concerned with that.

Dependence is a product of the development of the system of international capitalism. Sherman (1972, p 35) writes:

> "H K Takahashi, closely following Marx, emphasises that there are two roads to capitalism; *via* the master craftsman or *via* the big merchant. Takahashi argues that only the first was really revolutionary, because the craftsman represented a new class which made a real break with the feudal rulers ... As soon as the merchant accumulated some wealth, he bought land and intermarried with the land-holding class".

The merchant precipitated a commercial revolution, but not the industrial revolution that leads to the formation of an advanced economy.

Given the nature of the flow of technology, given the dynamics of trade, (based on the exchange possible within the reality of political power), a commercial revolution incorporates a country as a satellite into the capitalist system. The well known phenomenon of uneven development then leads to dependent development of the sort Dos Santos talks about in the peripheral regions of the capitalist economy world. Frank (1969) holds that this is a symptom of the perpetuation of underdevelopment.

An important qualification has to be made to this hypothesis, especially in view of Latin American experience. This relates to the size (suitably defined) of the satellite country. As Demas (1965, pp 3, 21) argues: "Underdevelopment and self-sustained growth cannot be considered in isolation from the size of a particular country." And "... it is my view that the question of

size is very relevant to the *character* of, if not to the *possibility of achieving*, structural transformation".

Certainly the concept of size presents a tricky problem. Yet, small countries, by their very nature, will be dependent in the sense that they will tend to have a high ratio of exports to GDP as well as a concentrated composition of exports and a diversified structure of imports. Dependence must be clearly differentiated from inter-dependence. This point merits further study. But Frank's thesis seems irrefutable, given his historical evidence.

Frank (1969) and Griffin (1969) hold that dependence can have only a long-term negative effect. This turns on the question of whether the dominant country is a geographical, political or economic unit. For it is not necessary that these spaces (in the mathematical sense) coincide. As Demas (1965, p 31) says:

"... we must admit that in order to understand many of the phenomena of the world economy over the last two hundred years, we have to concede that there are units of economic activity which either transcend or ignore national boundaries."

Is trade a relationship that opens up contacts between two independent economies in equilibrium, as the theory of comparative advantage would have us believe, or is it an internal structural feature of a system of international capitalism? In other words, to what extent is the politics of power relevant? If it is relevant, and a dominant/dependent relationship results, what would be the effect of a reduction/elimination of trade upon the satellite? The theory under discussion would suggest that this would benefit the satellite. It would also suggest that a weakening of trade links in the past would represent times of satellite growth. It would suggest that the centre would follow the kind of policy that would strengthen bonds between itself and the satellite, and that this would not be in the interests of the latter. And so on. These are testable propositions; and in its implications this theory is directly at odds with accepted doctrine. Available evidence goes against accepted doctrine.

The lessons of history seem to be this: the forces of capitalism changed a world that was undeveloped, but in a state of decline and decay, into a world that experienced a tremendous growth in its productive potential. The fruits of this process were, however, very unevenly distributed, in accordance with the basic law of uneven development that characterises the capitalist system (Emmanuel, 1972, p 262). The orthodox concepts of development and underdevelopment need re-evaluation. Some efforts at such a re-evaluation will be made in the following sections.

III

Underdevelopment and the History of Economic Analysis

There is no mention of *underdevelopment* in such authoritative works as Schumpeter (1954) or Seligman (1962). This does not mean that the phenomenon was unknown to these economists; Schumpeter made seminal contributions himself. It need be of no surprise that the modern concept of underdevelopment is the consequence of the work of earlier scholars, going back to Ricardo, Malthus and Marx.

Rosa Luxemberg, following up the work of Marx, writes (1913):

> "... capital accumulation as a whole, as an actual historical process, has two different aspects. One concerns the commodity market and the place where surplus value is produced — the factory, the mine, the agricultural estate. Regarded in this light, accumulation is a purely economic process, with its most important phase a transaction between capitalist and wage labourer ... Here, in form at any rate, peace, prosperity and equality prevail, and the keen dialectics of scientific analysis were required to reveal how the right of ownership changes in the course of accumulation into appropriations of other people's property, how commodity exchange turns into exploitation, and equality becomes class rule.
>
> "The other aspect of accumulation of capital concerns the relations between capitalism and the non-capitalist modes of production which start making their appearance on the international stage. Its predominant methods are colonial policy, an international loan system, — a policy of spheres of interest — and war. Force, fraud, oppression, looting are openly displayed without any attempt at concealment, and it requires an effort to discover within this tangle of political violence and contests of power the stern laws of economic process.
>
> "Bourgeois liberal theory takes into account only the former aspect: the realm of peaceful competition, the marvels of technology and pure commodity exchange: it separates it strictly from the other aspect: the realm of capital's blustering violence which is regarded as more or less incidental to foreign policy and quite independent of the economic sphere of capital.
>
> "In reality, political power is nothing but the vehicle for the economic process. The conditions for the reproduction of capital provide the organic link between these two aspects of the accumulation of capital. The historical nature of capitalism can only be appreciated by taking them together" (p 452).

This is what Latin American theory of underdevelopment does.

Rosa Luxemberg's reason for adding the second aspect of capitalist accumulation is her recognition of the international nature of the system. "Realisation of the surplus value is doubtless a vital question of capitalist accumulation. It requires as its prime condition ... a strata of buyers outside capitalist society" (p 351). Furthermore, "the second condition of importance for acquiring means of production and realising the surplus value is that commodity exchange and commodity economy should be introduced in societies based on natural economy as soon as their independence has been abrogated, or rather in the course of this process. Capital requires to buy the products of, and sell its commodities to, all non-capitalist strata and societies" (p 386).

She sounds like the first of the Latin American theorists. But her work was ignored by the mainstream of economic analysis. The major reason for missing the significance of this work seems to have been the fact that the discussion in economic theory at the time centred around questions regarding efficient allocation of resources. Whereas Luxemberg's work was a contribution to the debate on Marx's predictions on the breakdown of capitalism. Her conclusions did not satisfy any of the parties concerned (Arendt, 1935, p 33). The newly underdeveloping countries were far away. It was the heyday of neo-classical economics, with interest being focused on the long-run allocation of resources and the nature of equilibrium. Economic science was moving in a different direction.

Hobsbawm (1964, p 59 ff) in surveying Marxist discussion after the death of Marx and Engels, notes two tendencies. The first, "at variance with Marx's views", "reduces the chief socio-economic formations to a single ladder which all human societies climb rung by rung, but at different speeds, so that all eventually arrive at the top". "The unilinear approach ... leads to the search for fundamental laws of each formation, which explain their passing to the next higher form." The second tendency "led to a formal revision of Marx's list of socio-economic formations, by omitting the Asiatic mode", limiting the scope of the ancient, but correspondingly extending that of the "feudal".

The omission of the Asiatic mode occurred, broadly speaking, between the late 1920s and the late 1930s "... much after Luxemberg's work". Hobsbawm states, inexplicably (p 62), that the omission of the Asiatic mode eliminates "the error of regarding oriental societies as essentially unchanging or a-historical". This step seems to have been instrumental in the history of the underdeveloped countries being by-passed. At any rate, it is at the core of much controversy in India today.

The next important contribution to this line of thought is Baran's (1957) work. Coming nearly fifty years after Luxemberg's work, it provides the direct starting point for theorists like Frank. The reason why this work has been by-passed by orthodox doctrine lies in the direction to some extent, that the latter has taken. In another sense, the Latin American work is a reaction to orthodox doctrine, as we shall try to show below.

Mainstream theory still shows traces of the confusion between growth and development, even after Hicks' bald statement that "the theory of growth has nothing to do with the underdeveloped countries" (1964, Ch 1). Also it is studied on the basis of the neo-classical, general equilibrium, or orthodox Marxist paradigms, none of which the Latin American theorists accept.

The mainstream of the work on Latin America is represented by the two institutions that Raul Prebisch has headed: the CEPAL, or the Economic Commission for Latin America, and the ILPES, or the Latin American Institute for Economic and Social Planning. Many of the contributors to the Latin American theory have been connected, at one time or another, with these institutions, and it would seem that they are in a sense, rebelling against it.

The official (CEPAL or Prebisch) view is well known. In its most recent deals with dependance as a traditional statement, (Prebisch, 1971, p 154 ff) it deals with dependence as a transitional phase which can be helped by international co-operation in the field of trade. "What the Latin American countries should seek to do is to modify this dependence by gradual degrees, without waiting until they reach the stage at which they can be termed developed countries. If the process is to acquire certain attributes other than those of a strictly economic nature, the modifications in question must be introduced during the transition period itself, not after it is over. Hence the importance of multi-lateralism both in financial matters and in trade". Further on, Prebisch observes that the "United States continues to sustain the thesis of multi-lateral trade as against vertical arrangements. This is in accord with the long-term interests of the Latin American countries" (p 175). Obviously, Prebisch has in mind the concept of the harmony of interests that lay behind Classical trade theory, and which goes back to the philosophers of natural law. It is ironical that his followers, using the data that CEPAL and ILPES have unearthed, have come to diametrically opposite conclusions. It is interesting that there is no mention in the Prebisch report of the opposing point of view.

It is pertinent at this point to see why the same data have led to such divergent results. It relates to the basic underpinnings of the different points of view. Mainstream theorists believe something of the following type: the underdeveloped countries are poor today because of a shortage of capital and technology. This is a factor proportions problem of serious magnitude. In order to develop they have to make up this deficiency, and this capital can only come from the presently developed nations. Since these countries will repeat, in their own good time, the development process of the currently developed countries, a study of this history is of great relevance. And since the only economic system that they are familiar with is a market system based on relations of private property, it is only through this system that they can see any future progress coming.

The Latin American theorists differ completely from this perspective. To them the world is characterised by a conflict of interests, not by a harmony of them. The historical process they have studied leads them to different conclusions; and the historical conditions for a mere repetition of the growth process of today's developed countries do not exist any more. To them development is more than a problem of growth rates or the causes (chiefly economic) underlying them. To them, economic development is the following (Baran, 1957, pp 3-4):

> "Economic development has historically always meant a far-reaching transformation of the society's economic and social structure, of the dominant organisation of production, distribution and consumption. Economic development has always been propelled by classes and groups interested in a new economic and social order, has always been opposed and obstructed by those interested in the preservation of the *status quo*, rooted in and deriving innumerable benefits and habits of thought from the existing fabric of society, the prevailing mores, customs and institutions ... it has never been a smooth, harmonious process unfolding placidly over time and space ... this historical generalisation — probably one of the best established that we have — was quickly lost sight of in bourgeois economics".

The term "economic" qualifies not development, but those issues related to it that the economist singles out for study. Development is a holistic phenomenon that cannot be separated into economic, social and political categories each capable of independent achievement.

And in the same sense, underdevelopment is a holistic phenomenon. It is itself the product of the development of the capitalist system, and is then not in some sense the opposite of development. Development and underdevelopment are obverse sides of the same coin, and to those who lost the historical toss, history does not give another chance. These countries cannot repeat the development experience of today's developed nations. If the frustration, alienation and poverty that connote underdevelopment are to be eliminated, the solution lies in a total transformation, in the liberation of man. In this sense, the Latin American theory does not go far enough, but it is in this direction that the theory, if it is not to peter out, has to go.

IV

Evaluation of Latin American Theory

The most common objection to the Latin American theory of Underdevelopment is that it does not provide testable hypotheses. That is to say, it does not offer quantifiable theorems that can be put to econometric verification. This follows the Friedman methodology of Chicago. The point, however, is that the Latin American theorists, are most vehemently rejecting the Chicago approach. They are questioning the political and philosophical underpinnings of that approach, so that an objection on grounds that they so strongly refute is not in any sense an objective test of their theory. Besides, it can be shown that their theory *does* lead to testable hypotheses. Additionally, they work on the basis of historical evidence, not with the *a priori* deductive propositions of a so-called value-free science. Philosophically speak-

ing, their propositions have more *a priori* validity because they come from the *Tao*, that universal heritage of man which is common to all religions and ages, and which is outside of any one individual's own personal experience of time and space (Lewis, 1961). This is not to deny that much more needs to be done in this area; it is simply to point out that enough has not yet been done to reject these conclusions, and that when enough is done. If ever, it will have to be tested on a different set of criteria: correspondence with historical reality. The Latin American scholars insist that these will grow out of practical action as a result of the experience of putting their theories to practice. As things stand, then, we must suspend final judgment.

Another objection is that the holistic approach of these scholars is going against the grain of academic specialisation and thus leading to watered down results. This, however, is a narrow objection: the Latin American work is in the radical tradition of Marx and the Marxists. It has, it can be demonstrated, considerable epistemological appeal. All in all, one may be justified in expecting that further work in this area will be fruitful, in that a clear-cut result either way will certainly represent progress both scientifically, and in terms of the problems of a majority of mankind.

Conclusion

This paper has dealt exclusively with analytical issues at a high level of abstraction. The only validity for such analysis lies in the meaningfulness of the generalisations that form its starting point. I have been through, in a cursory way, the economic history of some of the Latin American countries, and this preliminary reading has reassured me that, historically speaking, the Latin American theory starts off in a meaningful way. But much remains to be done. I have also seen the results of work by mainstream economists that supports specific results that the Latin American theorists come to for very different reasons. It is interesting that general acceptance of specific results has yet not resulted in an attempt other than the Latin American one to tie them together in a general framework.

There is further a personal reason that is somewhat extraneous to the main theme of this paper. My reading of Indian economic history leads me to believe that the Latin American theory of Underdevelopment might provide some pointers towards a theoretical explanation of the Indian scene. Recent work (Kidron, 1965; IESHR Symposium 1969; Frankel, 1971; Weisskopf, 1972; Jhunjhunwala, 1973) all are tending in the same direction, though none, except, perhaps, Weisskopf and Jhunjhunwala, go far enough. A preliminary attempt to re-interpret their data led me directly to the Latin American theory of Underdevelopment. This lent the theory unexpected if limited support from a totally different area; from a geographical and cultural milieu that has significant differences from the Latin American one. The importance of these differences should not be underestimated. In a sense, then, even though I have not undertaken the research necessary for a thorough study of this theory in all its aspects, I feel confident in working with it because in the context of the one area I know well, it has provided fruitful initial results. Certainly I have no grounds at this point for rejecting the theory *in toto*.

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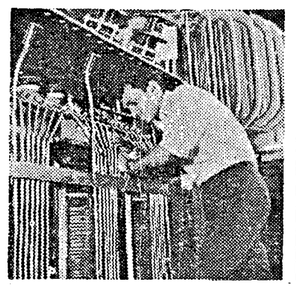
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Postal Deposits

POSTAL deposits in India, comprising savings bank deposits and time deposits, increased to Rs 1,978 crores in November 1973 from Rs 1,803 crores in June 1973, or by Rs 175 crores. In June-November 1972, postal deposits increased by Rs 130 crores to Rs 1,573 crores.

During June-November 1973, total scheduled commercial bank deposits increased by Rs 865 crores to Rs 9,788 crores. In the corresponding period of 1972, they increased by Rs 639 crores to Rs 8,075 crores.

Time deposits of banks increased by Rs 610 crores to Rs 5,731 crores in June-November 1973 against Rs 431 crores to Rs 4,647 crores in June-November 1972.



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MAKING A SCAPEGOAT OF LABOUR

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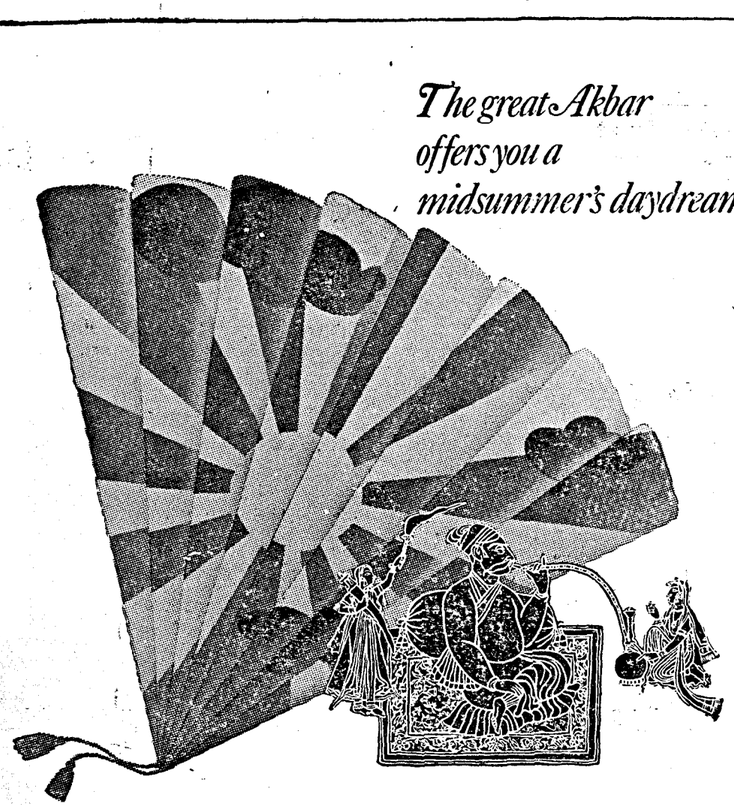
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Futility of Tax Incentives

ONE of the stock explanations trotted out by businessmen for the low level of investment in the private corporate sector is high corporate taxation which allegedly does not leave enough after-tax profits to make possible a satisfactory return to shareholders and plough-back for fresh investment. To reduce the tax burden on the corporate sector, the government has of course extended a number of tax concessions or incentives — development rebate, partial tax holiday for new industrial undertakings, priority industry allowance, export market development allowance, tax concessions for setting up industries in backward areas, tax credit certificates, deductions in respect of intercorporate investment, etc. These notwithstanding, at its recent annual session, the Federation of Indian Chambers of Commerce and Industry adopted a resolution seeking further tax concessions for stimulating investment. In particular, the resolution pleaded for the continuance of the development rebate and the tax holiday which the government has proposed to abolish shortly.

What has been the overall benefit to the private corporate sector from the tax concessions? Have these concessions achieved their purpose of stimulating investment? Data from the Reserve Bank's latest study of the finances of public limited companies, published in the January and February 1974 issues of the Bank's *Bulletin*, indicate that while the benefits derived by the private corporate sector from the fiscal concessions have been enormous their beneficial effects of investment have been rather questionable.

The difference between the statutory rates of corporate taxation and the effective rates that companies actually pay is indeed striking. The combined statutory rate of tax for public limited companies earning a profit of more than Rs 50,000 works out to 58.7 per cent. In addition companies have to pay capital gains tax. Besides, in respect of some items of expenditure, such as entertainment and maintenance of guest houses, advertising, travelling, perquisites to staff, etc, that part which is considered 'excessive' and 'unreasonable' is disallowed for tax purposes. If it is assumed that the additional burden on these counts is equal to the benefit, in the form of the lower income-tax rate, available to companies making a profit of less than Rs 50,000, then the statutory tax rate on all public limited companies would not have been less than 58 to 59 per cent till 1971-72; for 1972-73, the rate would work out to over 60 per cent on account of the 5 per cent surcharge on basic income-tax. Against this, the effective rate of tax on large and medium public limited companies in 1971-72 was only 42 per cent. On the basis of total corporate tax collections of Rs 472 crores in 1971-72, it may be roughly estimated that the loss to the exchequer as a result of the various tax concessions was over Rs 190 crores. For 1972-73 the loss would work out to about Rs 220 crores on a conservative basis.

While the private corporate sector has thus benefited very handsomely from the series of fiscal incentives offered to it, net asset creation by it has been poor. Thus the growth in net fixed assets of the large and medium public limited companies figuring in the Reserve Bank's study was 3.9 per cent in 1969-70, 2.7 per cent in 1970-71 and 3.3 per cent in 1971-72. Part of the growth in assets is explained simply by rise in prices of land and buildings and plant and equipment. Besides, a preponderant part of it has been financed by loans from the financial institutions. What purpose have the huge tax incentives as such served?

That the extent of fiscal concessions enjoyed by the corporate sector does not appear to have any relation with the new investment undertaken is illustrated by the cases of the cement and paper industries. In both these industries fresh investment and expansion of capacity have been tardy for the last many years. Yet, with the exception of aluminium and shipping, tax provision as a percentage of profits before taxation is the lowest for cement and paper among the 33 industry groups identified in the Reserve Bank study. The ratio was 21.2 per cent for cement and 18.6 per cent for paper in 1970-71 against 39.2 per cent for all industries; in 1971-72, the ratios were 33.6 per cent for cement, 23.3 per cent for paper and 41.8 per cent for all industries. The low incidence of taxation on the cement and paper industries is observed also in the Reserve Bank's study of large public limited companies with paid-up capital of Rs 1 crore and above.

Despite the vast tax benefits enjoyed by them, there was practically no growth in net fixed assets in either industry. The rate of growth of net fixed assets in 1970-71 was 1.3 per cent in cement and —0.8 per cent in paper against an average of 2.7 per cent in all industries. The rates in 1971-72 were —1.6 per cent for cement, 3.5 per cent for paper and 3.3 per cent for

all industries.

The profit-making cement companies in the Reserve Bank's sample made pre-tax profits of Rs 16.86 crores in 1970-71 and 16.96 crores in 1971-72. If they had paid tax at the statutory rate, they would have had to pay about Rs 10 crores in each of these years whereas their tax provision was only Rs 3.58 crores in 1970-71 and Rs 5.70 crores in 1971-72. In just these two years, therefore, these companies gained nearly Rs 11 crores from the tax incentives. Against this, their net fixed assets declined from Rs 127 crores in 1970-71 to Rs 125 crores in 1971-72. Likewise, the paper units made pre-tax profits of Rs 18.98 crores in 1970-71 and Rs 23.01 crores in 1971-72. If they had had to pay tax at the statutory rate, they would have had to provide Rs 11.2 crores in 1970-71 and Rs 13 crores in 1971-72 whereas their actual tax provision was only Rs 3.53 crores and Rs 5.13 crores, indicating a tax benefit of Rs 15.5 crores in the two years. By contrast, their net fixed assets rose from Rs 119 crores in 1970-71 to Rs 123 crores in 1971-72.

Tax incentives are calculated to improve post-tax profitability. According to the Reserve Bank's study, profits after tax as per cent of net worth for paper companies were 15.5 and 15.6 in 1970-71 and 1971-72, respectively; for cement companies the percentages were 11.6 and 9.5 and the average for all companies 10.5 and 9.5. The profitability of both industries, and paper particularly, was thus satisfactory; yet neither attracted significant investment. Of course, certain industries, especially those making luxury goods, may be more profitable than cement and even paper. But this only underscores the point that in an economy such as ours allocation of investment cannot be left to be determined by relative profitability. All that fiscal policy can aim to do is to ensure a reasonable level of profit in the industries in which it is considered desirable to have investment; for the rest, allocation of investment has to be achieved through physical controls.

The importance of factors such as the structure of industry in determining the pace of investment has also to be recognised. Thus in industries which are dominated by a relatively small number of producers who are in a position to bar entry by new producers, high profitability — a large part of which may not figure at all in the accounts of the companies — may go together with lack of fresh investment and stagnation of capacity and output. Both cement and paper fit this description rather well. In such circumstances, tax incentives serve little purpose other than to deprive the exchequer of revenues. Before the government gives in to the latest demands of the FICCI, it therefore needs to reconsider carefully the whole rationale of the tax incentives hitherto made available to the corporate sector in the light of the actual impact they have had on investment and growth.

Security Forces

Rape and Order

IT is fortunate that the Deputy Speaker of the Lok Sabha, G G Swell, was in the chair when Jyotirmoy Bosu read out a detailed list of atrocities committed by security forces in Nagaland and Manipur. If Swell, who is from Meghalaya, had not been presiding, it is more than likely that the behaviour of the 'forces of law and order' would once again have been swept under the carpet on the usual patriotic plea of national interest. The Union Home Minister's promise to inquire into Bosu's allegations as directed to by the Deputy Speaker is no guarantee that the lawless behaviour of the security forces will not be hushed up once again as it has been for the last 18 years.

Thoroughly documented charges of atrocities by the army, the BSF, the CRP and other numerous para-military formations operating in the eastern hill regions have repeatedly been made. Last November, the Minority Rights Group, a London-based organisation which documents the maltreatment of minority groups all over the world, published its Report Number 17, "India and the Nagas". Appendix III of the Report lists 65 distinct instances of brutality, giving names and dates. Though the Appendix is compiled from data supplied by the Naga underground, the charges are so specific and detailed that they call for investigation and the severest punishment of offenders. Among the many instances of torture and rape, four are reprinted below:

On February 25, 1973, the C Coy, 4th Kumaon Regt of the Indian Army commanded by one Capt Jasbir Singh came to Hebolimi. The Indian Army went straight to the Church and committed sacrilege inside the Church. They also used the Church as their overnight camp. During the night, the Indians started their savage attack on women who were by that time in bed. They raped Mrs Pukhalu, after knocking down her husband unconscious. In another house, they ordered Mr Yetovi to get them alcohol. While he was away from his house, they raped his helpless wife. Similarly the Indians attacked Mrs Miyeli and Mrs Hosheli.

On May 9, 1973, the 9th Gurkha Regt of the Indian Army seized the following persons from Mima: 1. Mr Kezethi; 2. Mr Neisazo; 3. Mr Vitsochuno. They were all taken to 8th Mountain Div HQ of the Indian Army of occupation, at Jakhama. All of them were brutally tortured. Electric current was used to shock and burn their sensitive organs at the time of tortures. They are still being held by the Indians.

On May 11, 1973, the Indian Army seized Mr Buden, aged 40 and Mr Bongyau, aged 50, both of Dangha village. They were taken to Yonshei Indian Army post and brutally tortured. The Indians suspended them up-side-down and in each case applied powdered chillies on their genital organ and anus. Thereafter they were kicked and beaten. To this day, they are being held by the Indians.

On May 12, 1973, the Dogra Regt of the Indian Army issued an ultimatum to Yonshei village, threatening dire consequences unless they produce the following members of the Women Society. The girls are, namely: 1. Miss Wongngoi, aged 20; 2. Miss Bauuh, aged 19; 3. Miss Wanje, aged 20; 4. Miss Longngoi, aged 18. They were forced to "surrender" after taking into account the consequences especially on the children and old people. The Indian Army commander in charge of the occupation post refused Miss Wongngoi to leave after their "surrender". She was later savagely raped by two Indian Army Captains. Miss Wongngoi is a tall and beautiful girl with a strong moral character. She is still being held by the Indians . . .

Laos

Struggle for Peace

THE latest coalition government in Laos has evoked mixed responses. The familiar argument has been advanced that the agreement between the Pathet Lao and Souvanna Phouma was the natural outcome of the decision by North Vietnam and the United States to stay away from Laos. This, it is suggested, made it possible for the 'traditionally peace loving' Laotian people to sort out their differences amicably. Others have seen in the peace agreement the degeneration of the Pathet Lao. By this compromise, it is argued, the Pathet Lao has thrown overboard the principle of armed struggle.

The history of the Pathet Lao's struggle does not support either of these interpretations. Since the fifties the Pathet Lao has signed a number of agreements for formation of coalition governments. The first such agreement was in 1956 and allowed the Neo Lao Haksat to emerge as an open political party. This agreement over a neutral coalition thwarted US efforts to instal a puppet regime. Since then the Pathet Lao has entered into many agreements with the Vientiane regime:

one in June 1961 under which Souphanouvong, Souvanna Phouma and Boum Oum agreed to set up a provisional coalition; another one later in the same year providing for the same three agreeing that Souvanna Phouma would be the Prime Minister of a government which would include eight neutralist, four Pathet Lao and four Boum Oum nominees; the third, at Geneva, in January 1962 on the specific composition of the cabinet; and the fourth, the 1962 Geneva agreement on Laos.

All the agreements followed the same pattern: the initiative for peace invariably came from the Pathet Lao and as invariably the agreements were flouted by the Vientiane regime with the connivance of its US mentors. Every one of these abortive peace agreements has been followed by further communist gains on the battlefield. Elsewhere in Indochina too national liberation struggles have followed the same course. For instance, Vietnam communists' control of virtually the whole of the Central Highlands today makes it possible for them to take advantage of the politics of peace.

Whether the present agreement will be aborted like its predecessors it is difficult to say. However, one should not overlook the current balance of forces in Indochina before pronouncing judgment. For one thing, the communists' control over the countryside is now decisive. Equally important, the US cannot be very anxious to directly intervene in the conflict. Though the United States' ability for mischief-making through its various agents should not be underestimated, the effectiveness of such agents in the past has been rather limited, as is seen from the fate of the various special forces raised by the Americans to fight in Laos. In these circumstances, a ceasefire need not adversely affect Pathet Lao interests. It may be that Vientiane's eagerness for peace is just a cover to gain time for strengthening its armed forces. But the Pathet Lao has faced similar situations in the past and has been able to use the contradictions, both internal and international, to its advantage in war and in peace.

Agricultural Wages

The Long Haul

A Correspondent writes:

THE Maharashtra government has fixed the minimum wages of agricultural labourers by law. However, the minimum wages law will remain on paper unless agricultural workers are organised to demand the statutorily-fixed wages. Even when they are so organised, the landlords are unlikely to give in without a fight.

The first major clash over the enforcement of the minimum wages occurred in Karajkupa village in Nandurbar taluka of Dhulia district on April 8. The agricultural labourers in the area are mainly adivasis and the landlords are Hindus. The current wage rate for casual agricultural workers is Rs 2 per man and Re 1 per woman. Those employed on a monthly basis or for the whole year ('saldars') are paid Rs 40 to Rs 60 per month. The hours of work are not fixed, especially for the saldars who have to attend to the household chores of the landlords in addition to the work in the fields. And far from getting any holidays, the saldars have to work for 13 months to fulfil their annual contract with the landlords for which they are paid 12 months' wages.

After the announcement of the statutory minimum wages, an agreement was arrived at in Karajkupa among representatives of the Adivasi and Agricultural Workers' Sangh and the landlords and the chairman of the gram panchayat on the wages and other terms of employment of agricultural labourers. The wages of daily workers have been fixed at Rs 3 for both men and women, of saldars at Rs 1,200 per year and of monthly workers at Rs 100 per month. The wages are to be paid partly in cash and partly in kind. Daily workers are to be paid Rs 2 in cash and 1 kg of foodgrains. Saldars are to be given 6 quintals of foodgrains per annum at the rate of Re 1 per kg. The monthly workers will get 2 paid holidays in a month and the saldars 24 holidays in a year. Working hours for all types of agricultural workers have been fixed at 7.

On April 8 the CPI organised a meeting in Karajkupa to demand the implementation of the wage agreement. An adivasi boy went to the house of a prominent landlord of the village, who owns 150 acres of land, to ask two agricultural labourers who were working there to go to the meeting. The boy was allegedly slapped by the landlord's son. He went back to the meeting and returned to the landlord's house with his father. By now there was a gathering of landlords there. The landlords went to the terrace of the house and fired iron pellets from guns at the boy's father, injuring him. On hearing the sound of the shots more labourers rushed to the spot. The landlords continued to fire, injuring 27 persons, including three women. The landlords initially lodged a complaint with the police alleging that they had fired in self-defence and that the adivasis had broken into the house and looted foodgrains. The complaint was found to be baseless and the police finally arrested 19 landlords.

After this incident, the Nandurbar taluka panchayat samiti president arranged a series of meetings of agricultural labourers and landlords to secure the implementation of the minimum wages. For this purpose he has grouped the 90 adivasi villages into 12 divisions. One may be sure, however, that there will be many more confrontations between the agricultural labourers and the landlords before the latter actually begin to pay the higher wages.

How deeply the landlords resent the attempts to organise the adivasi agricultural labourers was demonstrated by another incident in Shamsherpur village in Nandurbar taluka. Angered by a group of adivasi women singing militant songs composed by the late Ambar Singh, the well known adivasi leader, two landlord youngmen tried to run down the women with their motor cycles on April 16. Later some 40 landlords, many of them mounted on horses and armed with guns and sticks, charged into the adivasi 'busti' in the village. Among their grouses was that one of the adivasis staying in the busti had organised a successful campaign against the trade in illicit liquor and 'matka' gambling which had affected the earnings of the landlords and their kith and kin.

An important issue raised by both the incidents referred to above is that of the arms, including guns, in the possession of the landlords. P K Patil, landlord leader of the area, has been trying to raise what is virtually a private army on the plea that the landlords have to take steps to protect their crops. The actual situation is very different. It is the agricultural workers and the rest of the rural poor who have to be protected against the use of the guns and other arms that the landlords already have. In the last one year alone, and only in the Dhulia district of Maharashtra, there have been innumerable incidents in which landlords have used guns and other arms. As agricultural workers organise themselves to demand their rights — such as the government-fixed minimum wages — the incidence of violence directed at them by the landlords is bound to mount. It is important, therefore, that a campaign be launched to force the government to cancel licences for firearms issued to landlords and to sequester these arms.

Scheduled Castes

The Fire This Time

VIOLENCE erupted again last Saturday night in the BDD Chawls in Bombay which were the scene of protracted clashes in January this year between the scheduled caste converts to Buddhism, owing allegiance to the Dalit Panthers, and Hindus. In a single spell of firing the police killed four persons and injured over 25. Thus in terms of loss of life and injuries the latest incidents have been more tragic than even those of January.

Particular attention needs to be drawn to two aspects of the latest incidents. The first is the suppression of news of a singularly provocative action on the part of the police which was subsequently raised in the Lok Sabha. The police allegedly stripped a young Buddhist of his clothes, blackened his face, attached a tail to him and paraded him around the Chawls. In assessing the gravity of this act it has to be remembered that for the last many months there has been continuous tension between the Buddhists and the Hindus in the BDD Chawls. Nothing could have been more calculated to provoke the Buddhists and trigger a fresh round of clashes than the humiliating treatment of the Buddhist youth by the police. The clashes, in which four persons were killed and more than 25 injured in police firing, inevitably followed this incident.

Second, the police has claimed that the firing was justified by the severity of the clashes between the Buddhists and the Hindus. Even according to the official versions of the incidents, both sides were equally involved in the clashes. Yet three out of the four killed and most of those injured in the police firing were Buddhists. This together with the incident of the Buddhist youth once again casts grave doubts on the police's manner of handling situations involving Buddhists and Dalit Panthers. At the time of the clashes in January, charges had been made — and never satisfactorily answered — that the police had done much to provoke the Buddhists.

Many factors apparently contribute to the police attitude to the Buddhists and their organisation, the Dalit Panthers. The microscopic representation of Buddhists in the police force is certainly a relevant factor. Also there is the attitude of the Maharashtra government. The government has obviously set itself the task of putting down the Dalit Panther organisation. Towards this end it is pursuing a series of court cases against the leaders of Panthers. It has also thrown its weight behind the Republican party whose utter failure to redress the grievances of the scheduled castes was responsible for the formation of the Panthers. Against this background it is hardly surprising that the judicial enquiry announced by the government into the clashes in January has yet to get off the ground after three months.

LETTER TO EDITOR

Dear Money, Indeed!

THE main point of your article "Dear Money, Indeed!" (March 23) is that a large volume of outstanding bank credit is provided at interest rates of less than 6 per cent. A clarification is required here as you have not fully taken into account the type of credit facilities that go into this interest range group. You have said "the only two important categories of commercial bank advances which should normally attract such low interest rates are export credit and credits under the differential interest rate scheme". However, two other important relevant components are export bills purchased and inland bills purchased. Purchase of bills, whether inland or export, do not attract a rate of interest as such. However, bill financing is a part of bank credit and as such the credit extended through this facility has been included in the 'less than 6 per cent' interest range.

The distribution of outstanding credit according to type of account given in the BSR publication shows a total credit limit of Rs 2,064 crores and amount outstanding of Rs 844 crores in respect of inland and export bills purchased and discounted. Obviously, this is higher than the credit limit and amount outstanding in the 'less than 6 per cent' interest range. This is because bills (inland and export) discounted do carry specific interest rates which are higher than 6 per cent.

Incidentally the total amount outstanding in the 'less than 6 per cent' category has been printed as Rs 4,615.8 crores in the table appearing in the article. The correct figure is Rs 461.58 crores.

C S RAMACHANDRAN
Committee of Direction on Banking Statistics,
Reserve Bank of India,
Bombay

[*Our Correspondent writes*: In attempting a clarification, C S Ramachandran has unwittingly exposed a serious flaw in the Reserve Bank's classification of bank credit by interest rates. Commercial banks levy a charge for purchasing bills; this charge is called by different names, one of these being 'hundian'. Calculated at an annual rate, the charge will work out to much more than 6 per cent. Yet the Reserve Bank has, according to Ramachandran, included the entire amount of bills purchased in the category of bank credit bearing less than 6 per cent interest — apparently on the ground that since what the banks charge for purchasing bills is not *called* 'interest', advances by way of bills purchased may be deemed to carry zero rate of interest!

Had Ramachandran indicated the amount of bills purchased, it would have been possible to know how much of the Rs 462 crores, shown as credit extended by banks at less than 6 per cent, really represents advances at less than 6 per cent and how much is the result of the Reserve Bank's whimsical classification. If half the amount is taken to represent bills purchased, it still leaves an amount of Rs 230 crores to be explained. Why should banks have advanced such a large amount at less than 6 per cent interest?

In any case, our criticism of banks for advancing money at very low rates of interest did not refer only to advances at less than 6 per cent. As we had pointed out, "Over 40 per cent of all credit limits extended by banks were at interest rates of 9 per cent and less. If the data are at all reliable, then it is clear that even as recently as in December 1972 the banks were allowing large borrowers to appropriate a big chunk of advances at interest rates which did not cover their costs, so that they were in effect subsidising these borrowers." To what categories of borrowers and for what types of activities had the commercial banks extended credit limits of over Rs 3,900 crores and advanced more than Rs 1,500 crores at interest rates of 9 per cent and less? It is a pity that C S Ramachandran does not even attempt to answer the question. In the circumstances, one must be grateful for small mercies; so let us thank Ramachandran for pointing out the foot-loose decimal point in the table.]

Calcutta Diary

A M

THE old order changeth, yielding place to old. Bank chairmen, nearly the whole lot of them, are now part of the nationalised sector. Has it made the minutest difference to their style of functioning? In their annual statements, these chairmen now-a-days have to add one or two mandatory paragraphs on what they are doing, or propose to do, for the 'hitherto neglected' sectors. Come hither, ye hitherto-neglected sectors, be at attention, we are, for the next twenty-two seconds, going to talk about you: nationalisation has made it necessary that we devote, additionally, two hundred eighty to three hundred five words in our annual statements extolling your several virtues. For the rest, 'responsible' banking demands that bank chairmen must continue to meet their obligations to the organised industrial sector, ensure that packing credits for exports are dealt with expeditiously, be solicitous of the whims and foibles of those of their clients whose deposits exceed, say, Rs 10 crores, look into the matter of obtaining a healthy return from their investment portfolio, see to it that the pet projects of key politicians in the different states are properly taken care of, make absolutely certain that those who subsidise ministers are in turn themselves duly subsidised. After all this, where does one find the time or resources for ushering in a credit revolution in the country? You scan the annual statements which are splashed, at fat cost, across the newspaper columns: even the format of the statements remains unchanged from days of yore, with the inevitable, slightly blurred, supremely complaisant-looking picture of the chairman and managing director at top, left — or is it top, right?

And now that the government has, once more, shuffled its economic philosophy, all the greater reason for the old order reverting to the old. The shibboleth of social justice is out, considerations of growth and efficiency are again in. In any case, it was puerile — and, should not one add, dishonest? — to assume that a social revolution could be brought about by simply transferring the equity of the banks through a statute. A social revolution has to start with the society itself, with the polity which governs this society, with the economic structure whose product this polity is. Banks cannot change this structure: a determinant variable is in no position to take charge of the determining one.

But one should present, as they say, a rounded story. A pluralist society is a jumble of contradictions. The authorities having decided to place a moratorium on its social commitments, more than a handful of good men, men with golden hearts, men who have dreamed dreams, are left in the lurch inside the banks. What is going to happen to them now? They could have hardly realised that the signals beamed across since 1969 were going to be switched off so soon. None of them are ideologues, but they are those who had taken the government at its face value, and who wanted to do a good turn, if it were ordinarily possible, to the ordinary men and women about whom the banks had not hitherto bothered. They have known for long — and at first hand — the irrationalities which flow from a skewed distribution of assets, including banking assets. Since the government had now taken over the banks, many amongst them had begun to tell themselves, maybe these stodgy institutions too could be taken by storm. True, in the nearly five years since July 1969, nothing of substance has been achieved toward shifting the bias in bank advances. True, the pretensions have overshadowed the actual acts of good turn to the poor and the weak. Still, were one an optimist, it was possible to take the position that since a few good men, armed with the government's declaration of intents, have started to bestir themselves, perhaps an 'incremental' revolution would indeed take place, perhaps over the long haul, following an interval of ten or fifteen or twenty years, things would alter, quantity would turn into quality; even if there were going to be no revolution between now and tomorrow, nonetheless, gradually, bit by bit, inch by inch, pace by pace, in the course of ten, fifteen, or twenty years, there would be crawling progress toward the millennium.

What will the good men do, now that the philosophy of to-those-who-have-more-hath-to-be-given has begun to ride again? The offensive against the nefarious practice of 'facile lending on the basis of half-baked schemes' to tramps and non-descripts is already launched. Hell has no fury to match the fury of satraps who have won back their kingdom. The well-intentioned men left in the banks must therefore run for cover. Could not they however still play a silent rearguard role? The once-and-past grandiose ambition to alter, by one massive stroke, the overall pattern of bank advances has of course to be buried seven fathoms deep. Even were the external circumstances favourable, the enthusiastic ones could have only succeeded at nibbling at it; since the polity continued to belong to them, the rich and the privileged would have known how to protect themselves. In the altered context, those who, in the past, harboured dangerous thoughts must appear in proper sackcloth and ashes, and repent. Having done that, could not they still concentrate on minor gestures, on little turns of helpfulness toward the poor and the weak?

Take just any of the nationalised banks. At a given moment, it must be carrying in its account books at least fifteen to twenty so-called book debts, dating back several years, on which repayment has been systematically defaulted and which are therefore as good as bad debts. The average size of such for-the-present-book-soon-going-to-be-bad debts could be anywhere in the range of Rs 5 to 10 crores; the total default might even exceed Rs 100 crores for some banks. Scotch your evil thoughts, let not one little finger be lifted to recover such debts; these were incurred by big parties, to ask them to return the funds could affect incentives in the system, and the wheels of production might even come to a stop. Do not, therefore, disturb the bad debts contracted by the rich. But what about allowing a special quota of bad debt for the poor and the weak? If the banks have not caved in where total outstanding bad debts are as much as Rs 100 crores, they ought to be able to withstand the shock of another Rs 5 crores or thereabouts advanced to the poor on which payment could, depending on circumstances, be somewhat uncertain.

Each year, with this small kitty of Rs 5 crores, the conscientious men left in each bank could do a whole lot of good to the weak and the poor. Provided the bank is not particularly choosy, particularly snooty, particularly suspicious of people who are down and out, it could, for example, decide to distribute this sum amongst 1,000 different individual parties or groups, none of whom however must receive more than Rs 50,000 as advances. You can do so many things with Rs 50,000, or even with a considerably lesser amount You can, for example, start a book

shop, run a publishing or bookselling firm, edit a literary or commercial journal, organise an amateur theatrical party, open a modest workshop, start a roadside tea-stall, begin a messenger service, create a catering organisation, organise a small-scale music and dance school, set up an artistes' colony, establish a smithy outfit, operate a small-scale transport network, found a rural marketing unit, expand a barber shop, and so on. Be a romantic, indulge yourself; imagine one or two mobile vans, belonging to the banks, which will not worry about collecting deposits, but will wind their way in small towns and the countryside, with a ready window to dole out funds. If there are 300 working days in a year, the bank — egged on by the good men left in it — can take the vow that, on an average, it must each day locate at least three different parties to whom it could lend Rs 50,000 or smaller sums. It would not ask too many questions; it would not raise the issues of security or collateral; it would have only a brief exchange of views with the person or persons at the other end, listen to him or them, form an intuitive judgment about the quality and character of the person or persons, and reach a decision.

Now and then, the judgment will be



rong, the trust that will be reposed will not be repaid, the money that will be doled out will not come back. But statistically it is altogether improbable that all of the one thousand and odd parties the bank would offer financial accommodation in one year would turn out to be bad eggs. Even were half of the total funds to come back, the experiment would be well worth undertaking. Here too, there is such a thing as learning by doing. With experience, the banks may discover that they are choosing less and less bad-risk cases. Even were this not to be so, does it really terribly matter? If the banks could afford to keep quiet on bad debts of the order of Rs 100 crores or more outstanding against rich, lush parties, could it not also carry an additional load of a paltry Rs 2 to 3 crores on account of non-descript, ordinary people?

The good men left in the banks could still thus fill in a role. They need not be ideologues, they need not even go against the general bias of the banking system, they may merely invoke some of the commoner decencies of life. It is not socialism, but a simple act of run-of-the-mill courtesy to risk a minuscule fraction of your total resources on the poor and the ones without connections; it will not hurt the bank chairmen, they will have still plenty left for the no-doubt-fully-baked schemes of their big depositor-customers.

CAPITAL VIEW

JP in Town

Romesh Thapar

I HAVE often asked myself why Indira Gandhi usually gets the better of her opponents. Maybe the recent JP episode has pointers. After a terribly stupid exchange with him, she gave JP the kind of halo he needed to pull off a most impressive demonstration of popular anger in Patna. From there, he arrived in Delhi the capital city to launch a new movement.

Seldom has one seen so much interest in his activities. And then, suddenly, it was all over. He had merely organised a boring meeting with the usual performers — the Chaglas, the Kripalanis, the Palkhivalas and such other spent bullets.

If the people are sick of what goes on in the name of government, they are equally allergic to the bunch of 'leaders' who have been with us for too long preaching *status quo*ist theory.

When will some of these good men retire — and finally — as their counterparts do in other countries? This is surely their time for writing memoirs; but even these are not written with much profundity if the temptation to re-enter the political battle persists. Is not Morarji Desai's recent autobiography severely damaged by this gnawing thought?

This country is saddled with too many old men who are now incapable of providing intelligent and coherent leadership to a population that is dominantly post-Independence. When will this simple truth sink in? If respected elders wish to be catalysts, let them show evidence on their platforms of more youthful thinkers and actionists. A young mob in a street is not enough.

This criticism can be levelled at the entire spectrum of our political life, may be with the possible exception of the emerging extremist radical groups (logically young and tempestuous) and the Jan Sangh. The communists and socialists of various alignments seem to be competing to hold on to their old *dadas*. And as for the Congress party under Indira Gandhi, the only youth to be located are in the shadowy and suspect areas of political power.

Unless our political parties begin to draw young men and women in their twenties and thirties, who can articulate the feelings of a subcontinent that is growing younger with the explosion of population, we will remain at the mercy of leaders who do not know what they are talking about.

JP's attempt to bring the present anger of the towns into some kind of focus, as a first step to amend a democratic system which has been bruised and battered by unprincipled politicians, has failed. It is a result that could have been forecast because adequate attention was not paid to preparing a national thrust on a meaningful alternative. The interim period could have been utilised for purging governments and municipalities of the openly corrupt by popular action. Maybe, everyone was railroaded by the charge of being a 'fascist' — hence the stressing of so-called democratic commitments by judges and lawyers (who alone among professionals are duty bound to defend the indefensible!)

The talk in the towns is not concerned with the prickly consciences of our legal luminaries. The thinking which sparks popular revolts is quite simple. Indira Gandhi must sack the corrupt politicians who now surround her both at the Central and state levels. No calling off of strikes and agitations until the wasteful extravagances and styles of the public sector managers are curbed, No punishment for incompetence until the highly placed are first removed. Following close upon these demands, the essentials of living must be made available. Luxuries should be removed for export, to pay for the essentials which are in short supply. And punishment at all levels for officialdom which indulges in harassment, which fails to realise that its job is to serve the people.

This straightforward programme packs a great deal of ideology, slogans, *mantrams* and what have you. But it would be best to present it in down-to-earth formulations. Otherwise, the pontificators will get to work, talking endlessly, doing nothing, fanning the anger of a basically patient people. If our thoughtless government continues in its present ways, the happenings in Gujarat and Patna will pale before others, fascists or no fascists. The railway strike has been headed off, but every sector of government employees bides its time.

Credibility, it must be repeated, is what is lacking at this moment of crisis. And it is credibility which has to be established whatever the cost. There is little point in Indira Gandhi reassuring herself in the rural hinterland. It is in the towns, the ugly, twisted towns of this subcontinent, that credibility has to be won. In the final reckoning, power rests in these towns.

It is strange to have to stress these rather obvious truths, but the Congress party, ravaged by corruption and conceit, is becoming insensitive to precisely these fundamentals. Indira Gandhi cannot sit over this mess imagining that some magician will come along and do the trick. Those days are gone, never to return.

Otherwise, it's warming up. A dry, dreary summer is ahead. The capital is once again the breeding ground of a vicious kind of mosquito. Municipal facilities deteriorate from week to week. Perhaps, Delhi will be like the rest of India, given this pace of deterioration, by the end of the year. Could be that such a development brings us closer to realities.

As for the armed intruder in Parliament the story has yet to unfold ...

April 15

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IPICOL-5

Price Bounty

Hansavivek

KIRLOSKAR BROTHERS fared very well during 1972-73 to show a net profit of Rs 35 lakhs against a loss of Rs 25 lakhs in the previous year. This outcome was made possible by the stepping up of production of all products, except hermetically sealed compressors. Increase in turnover apart, what helped the company to reverse the previous year's picture was the substantial widening of margins. This becomes clearer when viewed in the light of the fact that gross profit, as shown in the accompanying Table, was arrived at after making full provision for gratuity liability of Rs 50 lakhs against a mere Rs 3 lakhs provided last year. Dividend was stepped up 4 points to 12 per cent, which was covered nearly 1.5 times. Even this did not please all the shareholders, for some of them had an eye on the reserves and had been expecting a gift of shares. Recently, there have been rumours in the market that, instead of bonus shares, the management might come out with a proposal to issue 'rights' shares at par in a small proportion. The scrip has been quoting at around twice its par value. The company's turnover during the current year has been rising, although demand for diesel engines and pumps has been affected by the steep increase in prices of crude oil and scarcity of diesel oil. The supply of electric motors has also been inadequate on account of shortage of essential raw materials required for their manufacture. Export demand for small pumps has been rising in recent months and this may partially offset the fall in home demand. Demand for hermetic compressors, which was poor last year, has also improved considerably. At the same time, efforts are being made to secure higher prices for the products to partially neutralise the effect of cost increase. Kirloskar Tractors, which made a public issue of Rs 150 lakhs in January last, ceased to be the company's subsidiary.

AMERICAN UNIVERSAL ELECTRIC (INDIA) is planning major diversification of its product range for wider application and also modernisation of plant facilities to ensure a high growth rate for future. The company has obtained a 'letter of intent' for manufacturing press tools, jigs, fixtures, and special accessories to the value of Rs 70 lakhs per annum. In addition, it has registered with government of India a capacity of one lakh numbers of domestic pumps for use in scientific laboratories, room-coolers, machine-tools and booster pumps. AUE has entered into partnership with DLF United by subscribing to one-fourth of the total capital of Rs 10 lakhs of 'Kool-hire Corporation' engaged in the business of hiring out electric fans and room-coolers. Also, as one of the promoters, AUE has invested Rs 18 lakhs in equity capital of Willard India, which is setting up a plant at Sikandrabad in Bulandshahr district of UP for manufacture of lead acid storage batteries in financial and technical collaboration with ESB of US. AUE turned out good results for 1972-73, the tenth year of its existence, with considerable increases in sales and earnings. The recommended dividend of 6 per cent, wholly exempt from tax, is covered fourfold. No provision for tax has been made in the accounts as the total benefits and concessions are expected to exceed the year's profits. Also, no provision has been made in respect of the liability for future gratuity. The method of charging depreciation has been changed from written-down value to straight-line. The excess depreciation provided in the preceding years amounting to Rs 16 lakhs has been reversed. The charge for depreciation, therefore, has been reduced by Rs 7 lakhs.

DYNAMATIC HYDRAULICS is a new company which is setting up a plant near Bangalore to produce industrial hydraulic systems required by the tractor, earth-moving equipment, fork-lift truck, hydraulic press and machine-tool industries. A technical collaboration agreement has been entered into with Dowty Hydraulic Units of the UK. The licensed capacity in value terms is Rs 1 crore, but the management expects that it will be enhanced to Rs 2 crores. The project cost, esti-

The Week's Companies

(Rs in Lakhs)

	Kirloskar Bros		AUE (India)	
	Latest Year 31-7-73	Last Year 31-7-72	Latest Year 30-9-73	Last Year 30-9-72
Paid-up capital	163	163	73	71
Reserves	302	271	64	27
Borrowings	707	714	211	150
of which Term borrowings	54	64	67	62
Gross fixed assets	614	554	158	109
Net fixed assets	369	331	142	99
Investments	82	82	3	—
Current liabilities	514	289	104	62
Current assets	1236	1024	305	228
Stocks	653	557	161	145
Book debts	563	452	136	76
Net sales	2011	1215	379	224
Other income	24	27	11	6
Raw material costs	1443	834	211	122
Wages	253	207	56	39
Interest	80	74	23	19
Gross profit (+)/loss(—)	64	3	26	15
Depreciation provision	29	28	5	8
Tax provision	—	—	—	—
Net profit(+)/loss(—)	35	—25	21	7
Development rebate provision	9	8	8	4
Transfer to reserves	7	—	9	3
Dividend				
Amount	P 4 E 15	4 9	P 1 E 3	0.50 —
Rate (per cent)	P 9&9.5 E 12	9&9.5 8	P 9.5 E 6	9.5 —
Cover (times)	1.46	—	4.00	—
Ratios (per cent)				
Gross profit/sales	3.18	0.25	6.87	6.79
Net profit/capital employed	2.98	—	6.03	2.82
Inventories/sales	32.47	45.83	42.48	64.73
Wages/sales	12.58	17.00	14.77	17.41

mated at Rs 79 lakhs, is intended to be financed by share capital of Rs 24 lakhs, deferred payments of Rs 11 lakhs and the balance by borrowings. The public is being offered 1,44,000 equity shares of Rs 10 each at par to raise a part of the finance required for the project. The subscription list will open on May 9 close on May 20 or earlier, but not earlier than May 13. The plant is expected to go on stream by October next. According to DGTD estimates, demand for hydraulic systems is around Rs 8 crores, of which Vickers Sperry, another company in the field, supplies about Rs 2.5 crores to Rs 3 crores and some other units about Rs 50 lakhs. The principal promoters of the company are J K Malhoutra and Hari L Nichani, who are chairman and managing director respectively. The public issue is managed by FICOM.

HARYANA ELECTRO STEEL, which made a public issue a year ago to raise part of the finance required for its project, expects to commence production next month. The construction work is in the final stages and machinery is being erected. The State Electricity Board has sanctioned a load of 6 MVA for the project, which is considered to be adequate. The board has been strengthened with the addition of five new directors.

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NEW DELHI

Making a Scapegoat of Labour

B M

THE organised sector of industry and business, represented by the Federation of Indian Chambers of Commerce and Industry (FICCI) which held its annual session this week, reflects a new mood of confidence over the direction of government policies. This confidence appeared to be fully justified in the light of what the representatives of the government, from the Prime Minister downwards, had to say at the session. The Industrial Development Minister, C Subramaniam, himself articulated the sentiments of the captains of industry and trade most forcefully when he said that the 'investment climate' was no longer a 'mysterious' problem and should not be made an excuse for lack of effort on the part of private industry. The Prime Minister was equally forthright on this question in her inaugural address.

The mood of the FICCI session was probably best reflected in the reference in the address of its outgoing President, Charat Ram, to the decision to give up state trading in foodgrains. Charat Ram interpreted the decision as demonstrating 'the highest level of political and economic confidence' which was possible only under a 'fearless and national-minded leadership' such as that of Indira Gandhi. These remarks were greeted with thunderous applause. The Prime Minister, for her part, reassured the FICCI that in the formulation of government policy the profit motive would receive full consideration and that a proper pricing policy for the products of industry would be pursued.

Given this rapport between government and industry, so well expressed on both sides, the leaders of the FICCI understandably found the occasion suitable for pressing home their advantage. After welcoming the government's decision to abandon the take-over of wholesale trade in wheat, the Federation moved on to the demand that "a review has to be made of the policy of nationalisation". Many thought that this demand was rather superfluous. They were convinced that the phase of playing with nationalisation was over and that the political leadership was now too shaken to make any more experiments in that direction. The more relevant demand of the FICCI was, therefore, that for greater support to private enterprise. The stress was on creating conditions under which obstacles in the way of generation of internal resources by private business and industry would be removed. The suggestion made towards this end included a review of the government's policies on debt-equity ratios, conversion of loans by public financial institutions into equity and inter-corporate investment.

The FICCI's most important demand in this context, with which the government seems to be in agreement, was in regard to the pricing of the products of industry. The demand was not for lifting price controls; instead it was that the prices of controlled commodities be brought into a 'proper relationship' with costs so as to attract investment. The FICCI demanded: "Taking into account the sharp increase in the prices of capital goods and other costs, the various alternatives for consideration are differential excise duties, dual price system as in the case of sugar and direct incentives like tax holiday, development rebate, etc." Dual pricing, it was clear, had become a great favourite with private industry. The commodities proposed to be covered under it, as mentioned at the FICCI session, were textiles, cement, vanaspati and other mass consumption goods.

The approach to pricing of industrial products signifies a general understanding between the government and industry on the question of price stability. Once the government has chosen to follow a policy of high-cost foodgrains, in deference to the demand of the producers of the marketable surplus of foodgrains, it is inevitable that price stability can be arrived at only at a level of prices far higher than the present ones. The attempt is no longer to hold the price line at the present level, much less to lower it, but to stabilise it at a level which will correspond to the level to which foodgrain prices have already been pushed up. The suggestions incorporated in the FICCI's resolutions are all already under the active consideration of the government.

*

K D Malaviya made quite a spectacle of himself while winding up the debate on his Ministry's demands for grants in the Lok Sabha. For the poor performance of the vital steel and coal industries under his charge he laid the blame squarely on the trade unions and on the political influences allegedly operating on workers. This came as a surprise to many. Malaviya was trying to find an alibi for a situation which he has so far found beyond him. But the manoeuvre is not going to help him.

What is surprising is that he chose to take this position against the internal assessment of his own Ministry with which he was fully associated. At a conference of chief executives of steel plants and the coking coal mines organisation, held in the third week of March, the unanimous view was that during 1973 workers in all the steel plants had suffered a direct loss in earnings because of the fall in production — particularly from May onwards when prices began to rise sharply. The workers had no responsibility, direct or indirect, for the production losses; yet their earnings in the form of incentives and rewards schemes were slashed. Having taken note of this development, the conference went on record to say that "It is noteworthy that despite this large loss in earnings, for which neither the management nor the workers directly or indirectly are responsible, there has been NO industrial unrest or work stoppage in any of the plants" (emphasis in original). The implication was that the government and the country should appreciate the great restraint and forbearance that the workers and the unions had shown in a difficult situation.

Malaviya found himself in the excellent company of the Federation of Indian Chambers of Commerce and Industry and the All-India Organisation of Employers which, in their annual sessions at about the same time as his diatribe against the trade unions, were loudly bemoaning the deterioration in industrial relations 'notwithstanding what the statisticians might say'. This last qualification is inserted because according to statistics the loss of man-days on account of industrial disputes during 1973 was less than in 1972. However, there is an important distinction to be made here. Unlike in the private sector where officers and the supervisory staff are well taken care of, in the steel and coal mining industry in the public sector under

Malaviya's direction, the officer cadre too is having a raw deal.

In the case of the steel plants, for instance, the middle level staff is not entitled to revision of DA following rise in prices without the prior permission of the Union Cabinet — and such permission is not given easily. As a result, officers in the pay range of Rs 550-775, drawing about the same emoluments as a good many skilled workers, are at present getting about Rs 75 by way of DA as against the DA of about Rs 150 paid to workers who are, besides, entitled to overtime. The officers' take-home pay is thus much smaller than that of many workers. The steel plant managements have not been able to correct this anomaly.

Similar is the case of the officer cadre of the nationalised mines. After nationalisation a cut was made in their emoluments. This has caused considerable frustration. The conference of chief executives referred to above posed the question: "It is to be considered whether the amount of money we save by large-scale changes resulting in downward revision in the take-home pay of officers was worth it." The mine managements have been warning against the frustration building up on this account but there has been no positive response so far from the government.

NORTH

Last Year's Lovely Lesson

JUDGING from the latest indications, Punjab's performance on the procurement front this year — and hence its contribution to the Central pool — would be far below expectations. Though precise figures of the rabi output are not available, both official and unofficial spokesmen fear a 15 to 20 per cent fall in the marketable surplus. This is thought to be the cumulative result of several adverse factors — failure of winter rains (except for the couple of light showers in several districts at the fag end of the season), and acute shortage of fertilisers, diesel oil and power. According to official estimates, the Centre is unlikely to get more than 15 lakh tonnes of wheat from Punjab under the new system of collection compared to the 24 lakh tonnes the state government would have contributed had monopoly trading been maintained on the lines it had suggested. Even this estimate of 15 lakh tonnes is based on the presumption that wholesale traders and official agencies, operating side by side, will procure about 30 lakh tonnes — half of which would have to be turned over to the Centre. Chief Minister Zail Singh has made it clear that official agencies would compete with private traders in purchasing wheat from the farmer: in a talk with newsmen he posed the ironic question: "Why should not the government earn a profit when traders can?".

There is fear, too, that in the absence of any compulsion to market a major part of their produce the medium and large farmers would go in for large-scale hoarding. The shrewd farmer's calculations are supported by last year's experience when prices had risen sharply in the winter months enabling him as well as the retailer to reap handsome profits. Besides, the Punjab government has announced its intention this year to build up a buffer stock of about 4 to 6 lakh tonnes — to which the Centre has agreed. It is anxious to avoid a repetition of the last season's dismal experience, when the country's granary itself fell short of foodgrains and Central allocations came in driblets.

The farmer's hopes and the consumer's fears have in recent weeks diverted attention from other pressing challenges. Outstanding among these is the virtual bankruptcy of the State Electricity Board and the imminent prospect of increase in electricity tariffs. And it is not only the unduly heavy and persistent deficits in its budgets which cause concern. There are also the continual fall in operational efficiency, the endless and expensive delays in completing new projects, the countless wasteful practices, and the totally disproportionate interest payments that eat up the major portion of its revenue. The interest charges on government loans alone rose from Rs 8.79 crores in 1969-70 to Rs 16.33 crores in 1973-74. The Board's total interest burden in the current year is Rs 20.37 crores; for 1974-75 it is estimated at Rs 23.77 crores. As against this, the revenue receipts in 1972-73, for instance, were only Rs 22.16 crores.

That the broad financial picture was the same in 1971 is clear from the fact that, out of the total revenue of Rs 19 crores, Rs 13 crores had to be paid as interest charges — Rs 10 crores on loans for the Bhakra complex alone. Of the many scandals associated with the Power Board, those stemming from serious irregularities in accounts, corruption, persistent leakage of revenue including the heavy line-losses, have been frequently aired on public platforms and in the Press. A stage has now been reached when a higher tariff is considered the only way out if the Board is to operate on even keel.

Haryana, too, may have to raise its electricity rates to augment its revenues — though Congress legislators are opposing such a move in view of the recent enhancement of the land tax. The state's 1974-75 budget, which was rushed through the Assembly early in January to enable Chief Minister Bansi Lal to devote all his energies to the UP elections, disclosed a Rs 17.97-crore deficit left uncovered "for the time being". Since then, the Chief Minister has from time to time warned the people that more taxes were unavoidable to meet the mounting expenditure, especially on the payment of higher salaries and additional DA to government employees — the all-too-familiar price of peace on the domestic front.

At a joint meeting of the Haryana Congress Legislature Party and the Provincial Congress Committee held on April 8, several Ministers underlined the need for enhanced fiscal receipts if the state's urgent development requirements were to be adequately met. The very next day, the Chief Minister announced the government's intention to impose new taxes and duties, estimated to yield over Rs 5 crores. The tax package includes a 20 per cent increase in bus fares, 100 per cent increase in the market fee (which would now be Rs 2 for every Rs 100 worth of commodities purchased), a higher purchase tax on sugarcane (from 50 paise to 70 paise) payable by sugar mills, higher sales tax on diesel and petrol, and a one-paise per unit increase in the duty on power used by industries which would mostly affect power-operated furnaces. The higher duty on power would imply a further contribution of about Rs one crore by the industrial sector. Yet, the main consumer of electricity in Haryana — the agriculturists — have been left alone. The incidence of the higher market fee too will be largely on the consumers and not on the agricultural classes.

Although the Himachal Pradesh Chief Minister has announced that taxes over and above those levied in the budget are unlikely to be imposed during the remaining Fifth Plan period, Haryana may have to mobilise more resources during the coming years to meet the Centre's objection against the series of deficit budgets and the recurring demand for Central grants. On January 18 last, the Haryana Assembly had approved the government's bill to double the court fees. The measure, which the Revenue Minister said would affect only the propertied classes, is expected to net an additional Rs 35 lakhs from registration and Rs 3 lakhs from copying fees. Since the expenses on establishment have soared during the last two or three years, it is doubtful whether even the sizeable yield from the new tax package would help the state to shake off its economic stagnation of the past three years.

Meanwhile, there has been in recent weeks a new political development — the emergence of the Arya Sabha — Chief Minister Bansi Lal has gone out of his way to win over state employees of various categories and abandoned his rigid attitudes to buy a strike-free climate. But the Arya Sabha, a curious combination of Rightist and obscurantist elements, threatens to exploit the unrest in large pockets of the state by adopting radical slogans. The Sabha's chief figures are two youthful, enthusiastic, well-educated, saffron-clad figures who advocate the philosophy of Vedic socialism and seek revival of ancient culture. The Sabha is the political wing of the Arya Samaj. Its sustained attempts to mobilise people of various professions, both rural and urban, have yielded some fruit, though progress is admittedly slow. Recently, Swami Agnivesh, the Sabha leader, urged all those — including the Jan Sangh — who had faith in socialism and the national heritage to join hands to oust the present decadent regime. To illustrate what united student power can achieve, the Swami quotes the Gujarat and Bihar episodes. Already, the Sabha has established small cells in several rural areas and in urban educational institutions. Much political propaganda is carried on at religious gatherings arranged by the Sabha. Although the movement has not yet made an effective dent in the hold of the major political parties, it does hold a potential threat to many of them.

The Gujarat Struggle and Its Vilifiers

A R Desai

THE powerful struggle launched by sections of the urban population of Gujarat under the leadership of the Navnirman Samiti, headed mainly by students and young teachers, has achieved two of its three goals. First, it has succeeded in exposing and eliminating the discredited Chimanbhai ministry in the state. Second, it has compelled the Central government to dissolve the state Assembly. However, the third goal, and the most important one, has yet to be achieved. This is that of eliminating corruption, arresting the rise in prices of items of essential consumption and putting an end to the manipulation of their distribution by private traders.

The achievement of the third objective demands a better understanding of the working of the economy, especially of the forces which corner commodities and exploit shortages to make profits, a correct assessment of the enemies and allies in the struggle to achieve the goal, and a carefully thought-out organisational plan of struggle. It is heartening, therefore, that the leadership of the Navnirman Samiti is seriously debating the ways in which the third phase of the struggle should be organised. The leadership is not clear on this issue and is also divided. As a result, there is a lull in the movement. But it is a hopeful sign that it has not allowed itself to be deluded into thinking that the struggle is over with the dissolution of the state Assembly.

The vigour, unity and resilience with which the people of Gujarat faced the brutal repression by the government and the skill shown by the leaders of the movement in evolving different forms of struggle have evoked respect and sympathy all over the country. So much so that a new expression, 'Gujarat style of struggle', has been coined. The movement has unnerved the ruling party. It has also disconcerted the other political parties which are afraid of facing the basic issues raised by it. They, therefore, want to freeze the movement at its present stage and exploit the sacrifices of the people for narrow electoral objectives.

The Congress party and its pseudo-Left supporters have launched a massive propaganda offensive to slander the movement and belittle its achievements. It has been insinuated that the movement was inspired by certain foreign agencies. It has also been suggested that it was master-minded by reactionary Right and extremist Left parties and that it has been dominated by anti-social, goonda elements who launched a reign of terror, violence and looting. The movement has been attacked as being fundamentally undemocratic because it encouraged disrespect for democratic institutions and obstructed the functioning of the democratically elected Assembly and the Government chosen by the elected representatives of the people. The movement has also been criticised on the ground that it has not adhered to Gandhian non-violence. Finally, it has been condemned for having been led by students and youth who are immature and who should not be indulging in politics.

The campaign by the Congress and its camp-followers to slander the struggle in Gujarat has mounted as mass discontentment about the Congress party's pro-rich policies has grown. The people have begun to see through the sham of the 'garibi hatao' slogans. The reversal of the nationalisation of wholesale trade in wheat, the retreat from the egalitarian objectives of the Five-Year Plan and the 1974-75 Budget which has further stoked inflationary pressures have spread disillusionment and sown the seeds of revolt in more and more regions and states. The Gujarat struggle may thus have opened Pandora's box. Congress leaders like Indira Gandhi, S D Sharma, V P Naik, Siddhartha Shankar Ray, Abdul Gafoor and others have, therefore, set up a shrill cry against the Gujarat struggle and proclaimed their determination not to permit such struggles in other parts of the country.

To understand why the ruling party has launched its campaign to malign the Gujarat struggle, it is necessary to understand the main features of that struggle and the important issues it has raised. Basically, it has been a popular upsurge, enveloping almost all urban centres in Gujarat and involving a few million people. And the upsurge has been deeper and broader in scope than either the 1942 movement or the Maha Gujarat movement.

It has been a popular struggle in another sense as well. People of all castes and communities, and of various age-groups, have participated in it. Communal, caste, regional and other considerations were not allowed to disrupt the united struggles. The movement thus stood in sharp contrast to the practice of the Congress as well as the other parties which are continuously exploiting casteism, communalism and regionalism for manipulating the electorate and for preventing the poor from uniting. The Gujarat movement remained amazingly secular and kept itself united.

To suggest that such a popular upsurge could be engineered by a foreign agency or by some reactionary

Right or extreme Left parties is to deliberately misrepresent the mainsprings of the mass upsurge. One remarkable feature of the struggle was that none of the political parties with opportunist intentions was permitted to worm its way into the leadership. The allegations of the Congress are intended to divert attention from the true causes of the upsurge, *viz*, the intolerable price rise, the pro-rich policies of the government and the rampant corruption and sickening inter-group strife within the Congress party and government.

The charge that the movement was undemocratic because it demanded the dismissal of the ministry and the elected legislature is similarly misconceived. The movement raised one of the issues most basic to a democratic polity: that of the people's right to recall representatives who have gone back on the promises given at the time of election. This issue is of crucial significance in a country like India where manipulation of electorates by exploiting communal and caste sentiments and by large-scale use of money is so common. The Congress has specialised in this game: it has toppled ministries and imposed President's rule whenever it has suited its purposes; it has kept assemblies in suspended animation and then revived them and formed ministries according to its convenience; it has advanced or postponed elections according to its will; it has used President's rule in the states to promote the party's fortunes; it has fiddled with the allocation of developmental funds to woo the electorate of one state or the other.

The charge that the movement in Gujarat has not adhered to non-violence is so hypocritical that it deserves to be treated with contempt. The ruling party has been practising violence on the people on a growing scale. It has detained thousands of young men without trial and cold-bloodedly annihilated hundreds of them in jails. It has now made a regular practice of using bullets, batons and tear gas on unarmed people. It feels no compunction in regularly using sections of the Indian Penal Code which used to be described by the same party as 'unlawful laws' during British rule. The Congress has lost all right to preach non-violence to the people.

Even a casual study of the Gujarat struggle will, however, reveal that it was on the whole peaceful. It was forced to resort to violence at some places only in response to the brutal repression launched by the government. Out of the hundreds of bandhs organised in the course of the struggle, only a few took a violent turn and that too only as a reaction to the worst type of provocation by the government. In fact, the Gujarat struggle has taught a very important lesson — the country's rulers are closing all avenues for peaceful struggle by the people.

'The Gujarat style of struggle' deserves to be properly appreciated. It is true that the struggle had many limitations — for example, it was restricted to urban areas and it lacked clarity about the basic causes of the evils, such as inflation and corruption, against which it was directed. But discussion of its limitations should be carried on from the standpoint of making the movement stronger for realising its basic objective. Those who vilify the movement should be exposed as enemies of the people and agents of the exploiting, propertied classes.

EDUCATION

Pacifier — for Some

J V Deshpande

THE new salary structure for college and university teachers announced recently by the Central government will be immediately effective in the Centrally administered universities and their colleges and in the IITs. Although the state governments have been tardy in the past about implementing the recommendations of the UGC, after the recent demonstration of teacher-power in Gujarat they too may be expected to act more promptly.

When the present pay-scales were introduced in the early sixties, the Education Commission had tried to link them with some long-overdue reforms in colleges and universities. In particular, it had suggested that financial compensation for examination work should be discontinued. The-then new scales were proposed as a partial compensation for the loss to the teachers on this count. It was recognised that the system of examinations, apart from being academically indefensible, provided opportunities to a few bigwigs in every university to distribute patronage to their cronies. The affairs of Poona University in the past two or three years — to name just one instance — have again bared this aspect of university life.

A decade has passed since the submission of the Education Commission's report, but neither the UGC nor the universities have shown any enthusiasm for reforming the examination system. Yet, the pay-scales proposed as a partial compensation for the expected loss due to such reforms have been introduced by almost all universities in the country. This time, the UGC has not even bothered to link the two issues.

Under the present scales, the difference between the lowest and the highest salary in the universities is Rs 1,400 p m whereas in the new scales it will be Rs 2,300. The gap will be substantially widened in colleges also. This is certainly a curious way of moving towards an egalitarian society. The difference between the incomes of a 'professor of eminence' and a primary school teacher will be about the same as that between the incomes of an ICS official of old and his peon. Even in an avowedly capitalist country like the USA, the ratio between the incomes of a school teacher and a professor is rarely more than 1:6. After the introduction of the higher secondary course in 1975, it is expected that some of the present colleges will have to be converted into higher secondary schools. With the disparity in the incomes of school and college teachers widening, one can easily visualise the resentment such a conversion would cause.

The standard reason trotted out for the higher emoluments for the academic community is the need to attract better people. By the same argument, however, it is equally important that a person should be tempted to be a peon in a bank or a sweeper in a drug company. In the absence of an overall incomes policy for the entire country and for the entire field of education, the introduction of the new pay-scales in colleges and universities will merely add to the prosperity of a privileged group in a poor country. It should surprise no one if the public begins to bracket college and university teachers with commercial pilots and insurance officials.

Finally, a word about the methods of selection to the higher grades in the new scale — particularly to the so-called 'professorships of eminence'. When, in the sixties, the UGC invited nominations for senior professorships from university authorities, all those nominated by the executive council of Patna University were, it turned out, members of the council! Is there going to be any better procedure for selection this time?

New Fashions in Indian Airlines

(From a Special Correspondent)

EVER since the former chief of the Indian Air Force took charge as Chairman and Managing Director of Indian Airlines, economy-mindedness has proceeded at a sizzling rate in the airlines. The new chief executive became an instant hero with the establishment by virtue of the tough line he adopted to beat down the employees. The toughness was justified, with much nodding of approving heads from the sidelines, on the ground of elimination of 'wasteful' practices. Other modalities for eliminating 'wasteful' practices have followed. In the past, Indian Airlines had proclaimed that it would serve the cause of national integration by connecting places in backward regions as well as those with poor means of surface communications with the other parts of the country, even though such connections might not be justified in commercial terms. Pursuant to this declaration, many services were opened to remote and out-of-the-way centres, including, for example, the service to Port Blair. Since, under the new dispensation, 'wasteful' practices are to be shorn, there is no longer any talk of social responsibilities and the need to open up backward regions. Fashion has changed with the Union Government, so it has with Indian Airlines. Beginning with the new fiscal year, many of the long-established connections, including the one to the Andamans, have been suspended.

Skimpy Biscuits

Apart from closing down connections, and denying the employees their demands, the other major 'wasteful' practice that has been eliminated is the serving of meals to passengers. In the current year, Indian Airlines is expected to carry 3.5 million passengers; at the rate of Rs 10 per passenger meal, the aggregate savings on this score would therefore be of the order of Rs 3.5 crores. This again is a unique kind of saving, since Indian Airlines will now certainly hold the world's record in showing the least consideration to passengers as far as provision of victuals is concerned. There are more than one hundred airlines operating around the world which, while not serving regular meals in the domestic sectors, nonetheless provide refreshments much more substantial than the insipid tea or coffee and the skimpy biscuits currently being offered by Indian Airlines.

The IA authorities have effected some more savings by passing on to the passengers the liability of paying the private contractors the charge for lifting the personal baggage on arrival at, and departure from, the airport lounge. The pattern is by now familiar: to restrict the role of the public sector and to introduce a system of private commission agents; between the passenger and the Airlines, a private contractor is accordingly introduced, and no doubt the same considerations that prevail elsewhere for the proliferation of intermediaries also apply here. Further savings have been ensured by depriving the passenger of the facility of transport to and from distant airports, even as the energy crisis should have made such a facility all the more necessary.

This has not been all. A few weeks ago, the Airlines authorities suddenly announced a rise in passenger fares across-the-board by 25 per cent. This increase was of a considerable order; taking into account the increases which took place in the preceding two years, the overall rise in air fares in this country since 1972 is about the highest in the world.

Given this combination of efficiency-boosting, ruthless economising and fare increases, Indian Airlines could have been expected to show a very large order of profits this year. No such thing is likely to happen. The Minister of State for Tourism and Civil Aviation was recently heard to mention in Parliament that the various measures notwithstanding, the Airlines are projecting a profit of barely Rs 5 crores for 1974-75. What does one make of the Minister's statement? With the beginning of the fiscal year, the utilisation of aircraft, it is being claimed, is completely normal, that is, the level of performance is supposed to be what it was a year ago. This, together with the fact that four new Boeing 737s are being added to the fleet in the latter half of the year, should have assured an aggregate revenue of at least Rs 100 crores at the fare and freight rates which prevailed last year. On this basis, the announced increase of 25 per cent in the rates should have meant an additional revenue of Rs 25 crores. If the saving of Rs 7 crores anticipated from the elimination of 'wasteful' practices is added, the aggregate generation of extra cash to the Airlines ought to have been around Rs 32 crores during the year. Before the holocaust of worsened industrial relations struck it, the Airlines had hoped for a profit of Rs 4 crores in 1973-74, and that too after making a provision of Rs 1.2 crores for a special obsolescence reserve. With the additional cash made available through the elimination of uneconomical routes, depriving the passengers of meals and other facilities, and raising the fares by 25 per cent coming to Rs 32 crores, on the basis of the level of costs prevailing last year, profit in the current year, assuming normal operations, should have been close to Rs 37 crores. Even granted that the rise in fuel cost would call for an additional outlay of Rs 7 crores, there still should have been scope for a clear profit of Rs 30 crores. The Minister of State is however hoping for a bare profit margin of Rs 5 crores. Given the past discrepancies between what is predicted and what is realised for most public sector undertakings, it would not be at all surprising if, as the year ends, even this projection of modest profit is converted into a loss.

Illusory Gains

This is anti-climactic. The sabre-rattling of the IA authorities could have been put up with provided it had led to any substantial difference in the performance of the Airlines. As it is, the actual gains from the rise in air fares by a quarter is largely illusory. All but a fraction of the revenue earned by the Indian Airlines is charged to expense accounts, a large part of which comes from the coffers of the Union and state governments and of the public undertakings. Insofar as the draft on private expense accounts is concerned, again, since the expenditure is tax deductible, given the existing rates of company taxation, 50 to 60 per cent of what passengers belonging to private units would be called upon to pay additionally would be at the cost of corporate taxation. The companies, besides, are bound to pass on the burden on account of the rest of the extra cost on to their product prices, so that the general public will be saddled with it. Thus the cumulative achievement of the new regime in Indian Airlines will be to increase the burden on the public, to discourage tourism, to neglect the backward regions and to treat the passengers with disdain. But, for some sections, the game is obviously worth the candle.

Alignments in Tamil Nadu

Mohit Sen

THE elections in Pondicherry and Coimbatore, the Rajya Sabha election, and the dissolution of the Pondicherry Assembly, have all been contemporaneous with important changes in political alignments in Tamil Nadu. The coming together of the two Congresses in the state is only the most important manifestation of this change; but it is not the only regrouping that has taken place.

It is interesting that the Goenka-TVS-Chettiar trinity, which had placed its hopes on a reoriented DMK, has now abandoned the idea. The petty bourgeoisie, the urban poor, and even the lumpen supporters of the DMK were dismayed to find the shift in the position of their representatives when Karunanidhi began to hit at the working class and curb the peasantry. What is somewhat new is the rapid loss of mass support that has resulted from this shift. A point that is often missed by commentators, who are focusing attention almost entirely on the coming together of the two Congresses, is the way in which the ADMK has walked away with the DMK mass base. It is utterly frivolous to suggest that this is because of M G Ramachandran's glamour. After all, why is it that Shivaji Ganesan has been unable to achieve even a tenth of the mass pulling power of MGR? The latter has consistently established an image, through a large number of successive films, of being a champion of the downtrodden. Films have been followed by real-life actions of contact and donations that help this image. And, apart from a large measure of wish-fulfilment, it is this image that attracts. Any truly radical party has to take this fact into full consideration.

This is not to say that the ADMK does not suffer from serious, and even fundamental, limitations. Almost typically petty-bourgeois, according to copybook specifications, the ADMK has a most amorphous ideology which it chooses to call 'Anna-ism'. It certainly is a mixed bag, but through the confusion emerges the same radical aspiration that has given MGR his huge mass base. This confusion, together with the highly personalised politics of the ADMK, can lead to aberrations and mistakes — e g, the Ranganathan case. These limitations would obviously have to be borne in mind, as also the fact that quite a number of the converts to the ADMK have certainly not left behind them their rather reprehensible propensities at the DMK offce. Nevertheless, in the name of limitations, the basically healthy and promising character of MGR's party should not be overlooked on any account.

The exactly opposite remarks would apply to the Congress and Syndicate get-together. The Goenka-TVS-Chettiar combine, which had deserted the DMK, has now veered around to the concept of reconstructing the Congress in Tamil Nadu through the conversion of Kamaraj as its leader. The fact that it did not plump for the ADMK speaks volumes for the latter's character and potential. It was TTK who was eventually used by the trinity to push through the scheme, using his influence with both Indira Gandhi and Kamaraj. The former could not accommodate herself to the idea of playing second fiddle to the ADMK in the ADMK-Congress-CPI alliance — which could have been another logical form of Congress recovery.

This would have greatly facilitated the acceleration of the advance of the democratic forces in the state and pushed Tamil Nadu in the political direction of Kerala. It is interesting to remember that, with the ADMK and the CPI forming an alliance, the Congress joining in would have meant that the monopoly sections of the Indian bourgeoisie would have had to accept a position of equality and not predominance. Its representatives have — for the time being at any rate — preferred to attempt reunification of the entire capitalist class in which it believes it would be in a better position to preserve its exclusive leadership. That by such manoeuvres it increasingly displays its loss of national hegemony, and that by this method it is the Right that regains some of its lost ground, is not recognised by the leaders of the Congress — above all the Prime Minister.

Whatever might be the subjective predilections of Indira Gandhi and Kamaraj, there is no doubt that the Congress and Syndicate *rapprochement* means the formation of a new authentic representation of the monopolists in the state. In this formation, the representatives of the non-monopoly-bourgeoisie cannot but play a subordinate role. Moreover, its all-India repercussions should not be overlooked. It is one of the prongs of the Rightist offensive in our country to push this government to the Right as an integral part of the effort to establish a government of the Right.

It is a great pity that, faced with this situation and despite the fact that allying with the ADMK-CPI coalition would not now tread on its anti-Congress corns, the CPM has chosen to plough its lonely furrow. If only it had been a little more reasonable, there is little reason to doubt that Ramamurti would by now have been the representative of Pondicherry in the Lok Sabha. It is quite clear that it was treated by the working class in Coimbatore as an agent of disruption and punished not only by the loss of its deposit but by a sharp diminution of its vote as compared to the 1971 poll. It need not go further down the same disastrous path. It can retrieve its position by taking its place alongside the ADMK and CPI, and make a worthwhile contribution to strengthening the Left in Tamil Nadu.

What is now required in this state is the invigoration of its politics by means of mass actions around policy issues. Neither the remainder of the influence of the DMK nor the undoubted strength of the new Syndicate-Congress formation can be eroded without such mass actions and struggles. It certainly cannot be done merely through electoral exercises and through exclusive reliance on the excitement of poll campaigns. It could be that the common programme worked out by the meeting of the eight Left parties in Delhi, recently, could form the basis of such action in Tamil Nadu. In any event, this is the only way by which a shift to the Left can be achieved in the state and the ground cleared for fresh approaches towards building the extended Left and democratic unity, which both this state and the country as a whole so urgently require.

GOVERNMENT OF TAMIL NADU

Stationery and Printing Department, Madras-1.

TENDER NOTIFICATION

Sealed Tenders will be received upto 3-00 P M on 9.5.1974 for the supply of Machinery for the Regional Press, Madurai. Full particulars may be obtained from the Asst. Works Manager, (PROCUREMENT), Office of the Director of Stationery and Printing, Mint Buildings, Madras-300001.

R Srinivasan
for DIRECTOR

SCHEDULED CASTES

Beyond the System

Moin Shakir

THE Dalit Panthers have emerged as a force to reckon with in Maharashtra. The challenge they pose takes the form not so much of politicisation of the scheduled castes or dalits as of highlighting the failure of the political system to achieve the objective of social equality and economic justice proclaimed in the Constitution. The Dalit Panthers have served to re-emphasise the importance of the social infrastructure for the political and economic system.

The situation of the dalits in Maharashtra is not very different from that in other parts of the country. The incidence of violence and atrocities directed at the scheduled castes throughout the country has been on the increase. This reflects the social intolerance of the 'haves' and their determination to maintain their hegemony in the political and economic spheres. The Union Home Ministry's statistics show that cases of atrocities on scheduled castes rose from an average of 177 per month in 1971 to 199 per month in 1972 and 231 per month in the first eight months of 1973. During the first six months of 1973, 2,038 complaints were made by persons belonging to the scheduled castes in UP; the figures for some of the other states were: Maharashtra 1,084, Orissa 233, Punjab 219, Kerala 108, Gujarat 158, Karnataka 126, Haryana 122, Himachal Pradesh 45 and Andhra Pradesh 15 *(Hindustan Times,* October 30, 1973). According to one estimate (Shankar Rao Kharat, *Sadhana,* October 7 and 14, 1972), during 1967-1970, 1,100 untouchables were killed by caste Hindus. Incidents of rape, refusal of water from community wells and humiliation and insult, particularly in the rural areas, are too common to be mentioned. Since the scheduled castes constitute the bulk of the 'have-nots' in the rural areas, and the political and economic power is monopolised by caste Hindus, neither the police nor the administration come to their rescue. In the urban areas, discrimination takes a subtler form. The recent incidents in the BDD Chawls in Bombay show that policemen instead of protecting the scheduled castes join in the assaults on them.

The government is supposed to play an important role in improving the condition of the scheduled castes. However, expenditures on educational schemes and welfare programmes for the scheduled castes and scheduled tribes in the states sector have continuously lagged behind the provisions which themselves have been grossly inadequate. In the Second Plan, out of the Rs 760 lakhs allocated, only Rs 649 lakhs were spent. In the Third Plan the provision was Rs 1,301 lakhs and actual expenditure Rs 1,166 lakhs. During the period of the so-called annual plans there were similar shortfalls in expenditure, particularly in the states of Maharashtra, Karnataka, Orissa and Tamil Nadu. In the Fourth Plan, as against the demands of Rs 2,701 lakhs and Rs 2,611 lakhs for education of scheduled castes and scheduled tribes, respectively, the actual provisions are only Rs 2,460 lakhs and Rs 2,403 lakhs. The expenditure on programmes like award of post-matric scholarships and girls' hostels regularly falls short of the provision. There is a conspicuous fall in the percentage of enrolment of scheduled castes in the middle school and higher secondary stages. The Committee on the welfare of Scheduled Castes and Scheduled Tribes of the Fourth Lok Sabha (1970) concluded that the problem of educational development of scheduled castes and scheduled tribes has not been given the attention that it deserves by the Central or state governments as well as by the Planning Commission during the 23 years of independence. The fact that a vast segment of the population continues to be educationally backward as compared to the general population goes to show that no serious efforts have been made in the Plan periods to accelerate the pace of educational development of scheduled castes and scheduled tribes.

The progress with regard to provision of employment opportunities for the scheduled castes have been equally tardy. According to the Report of the Commission for Scheduled Castes and Scheduled Tribes in 1959, the percentage of Scheduled Castes in senior administrative posts was 1.18, in other administrative services 2.38, in clerical services 6.95, and in the category of the attendants and peons 17.24. In 1966 the percentage in the senior administrative service was 1.77, in other administrative services 3.25, in the clerical category 8.86 and in the category of attendants and peons 17.94. In public sector undertakings the percentage of scheduled castes in Class I jobs was 0.2, in Class II jobs 1.07 and in Class III jobs 0.92 in 1966. There has thus been hardly any improvement in the representation of scheduled castes in government and public sector employment, especially in responsible decision-making positions.

The land reforms programmes have not helped the landless scheduled caste population in the rural areas. They have added to the tension and violence of which the untouchables have invariably been the worst victims. Democratic decentralisation and the green revolution have also left the mass of the dalits untouched. The small section which appears to have benefited is the one which was already 'sanskritised' and was economically well-off.

The scheduled castes have not been able to articulate their many problems on the political plane as they have lacked an effective organisation. Other political parties have been either indifferent to their problems or have adopted an opportunistic posture in order to capture their votes. Moreover, no strategy has been formulated for tackling the question of social inequality and economic injustice. The approaches adopted so far have had inbuilt limitations. Gandhi attempted to solve the problem within the framework of the caste system and Hindu religion. But he could neither change the attitudes of the caste Hindus nor satisfy the scheduled castes. The other approach was that of B R Ambedkar. Ambedkar was aware that the root of untouchability was the caste system and the root of the caste system was the religion attached to Varanashram. He did not advocate the abolition of religion, but aimed at what he believed was a true religion. Ambedkar also attached great importance to liberalism and law. However, both Gandhi and Ambedkar sought to solve the problem within the purview of religious systems and the existing social set-up. Notwithstanding his dynamic and perceptive mind. Ambedkar could not systematically formulate his schemes for the upward mobility of his community. He gave up his emphasis on nationalisation of agriculture and state socialism after his failure to get them incorporated in the Constitution. Instead of fighting against the reactionary heritage of religious obscurantism, he resorted to another religion rooted in Indian culture to fight an unsuccessful battle against Hindu tradition.

After the death of Ambedkar, the

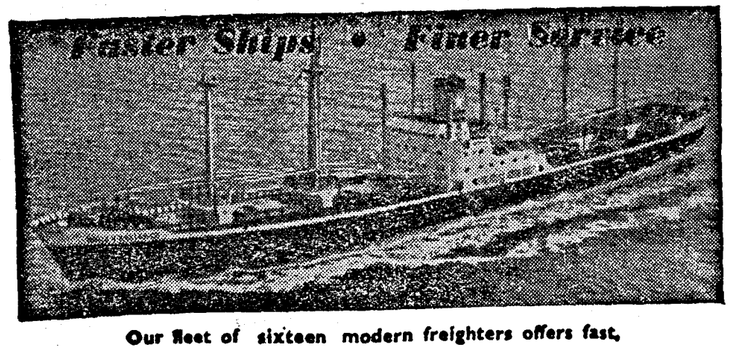
dalits found themselves leaderless. The opportunism of the so-called leaders of the Republican Party and the mounting atrocities on dalits have bred discontent, frustration and disillusionment among the educated Scheduled caste youth. Raja Dhale, one of the Dalit Panther leaders, has described August 15 as a 'Black Day' for the suppressed and the oppressed people in this country. This bitterness and frustration along with the tendency of revolt find expression in the writings of Shankar Rao Kharat, Narayan Surve, Raja Dhale, Namdeo Dhasal, Baburao Bagul, J V Pawar, Waman Ingle, Datta Pawar and others. The connection between dalit literature and the Dalit Panther movement runs very deep. As a matter of fact, the movement is the political expression of the spirit of protest and rebellion being consciously developed through the medium of literature. The source of inspiration of dalit literature is real life, the experiences of the dalit community, in its totality. Believing that the entire socio-economic structure has to be overhauled, it refutes and rejects Hindu religion and its legacy, but not the humanist tradition. What is central to all activities is man, and man alone is the measure of everything. He is greater than God and religion.

Dalit Panthers have succeeded in raising the questions and issues which have remained unresolved for the last 25 years. All the political parties have been preoccupied with electoral politics and the resultant opportunism at the cost of real political participation and cultural enlightenment. Consequently the political system has degenerated into a mechanism for maintaining the *status quo* and perpetuating exploitation. What is needed is not reform but basic structural change. The Dalit Panthers have rightly perceived that what the oppressed in India need are not concessions, facilities and reservations, but the establishment of Dalit Raj. They have declared in their manifesto: "We have a clear perspective of our allies and enemies. Scheduled castes and scheduled tribes, workers, landless labour, poor peasants are all our allies. Left parties and all those forces which fight against caste and class oppression are our friends ... All those who are the victims of political and economic suppression are our co-workers ... Power, money and prestige are our foes. Landlords, capitalists, moneylenders and their agents and the government are our enemies. We stand for total emancipation and political domination.

"We want to rule the entire country. We aim not at individuals but at the system. A mere change of heart or liberal education will not end injustice or exploitation. We shall rouse the revolutionary masses, and organise them; the flame of revolution will emerge through the struggle of these vast masses. The social system cannot be revolutionised by mere demands for concessions, elections and satyagraha. Our rebellious idea of social revolution will germinate in the soil, grow in the minds of the people, and ultimately flash into existence like hot burning steel."

The Dalit Panthers have for the first time exposed the gap between the haves and the have-nots within the scheduled caste community. The three factions of the RPI seemed content with caste politics and the concessions given to the educated sections of the scheduled castes. They have in the part joined hands with a variety of parties from the Congress to the Jan Sangh. The Panthers constitute a serious threat to the political survival of the RPI leaders. It is not surprising, therefore, that the three factions of the RPI, which could never unite on the question of atrocities on the dalits, have now patched up their differences to put down the Dalit Panthers.

The RPI leaders will exploit the Panthers' weaknesses. The Panthers have yet to reach the rural areas. Out of the total Buddhist population of 33 lakhs in Maharashtra, 24 lakhs are in the rural areas. The Panthers cannot, therefore, become effective unless the the rural folk accept them as their leaders. Further, Buddhists form only 6.47 per cent of the population in Maharashtra. In only eight districts—seven in Vidharba and one in Marathwada—is their proportion in the population more than 10 per cent. These figures are quoted to emphasise how important it is for the Dalit Panthers to take up the issue of alliance with their 'friends' as described in their manifesto. Unless unity is forged with the non-scheduled caste dalits and their leaders and movements, there is little possibility of converting the forceful movement into an effective organisation. In their public speeches Dalit Panther leaders have been often very critical of their manifesto 'friends'. This betrays their political immaturity which they will have to overcome. Anti-system movements have so far not lasted long in this country. The instruments of state coercion are capable of suppressing them through democratic means if possible, and by fascist ways if necessary. One should learn from the fate of the Telengana and the Naxalite movements in post-Independence India.



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Israel's Communists

Surendra Bhutani

IN the complex panorama of communist factionalism the split in the Israeli Communist Party stands out as a unique phenomenon for it was not the product of the Sino-Soviet schism or of revisionist-dogmatist conflicts but of differences over the attitude which the Israeli Communists should adopt toward the State of Israel and the Arab countries.

Even before the formal split of the Communist Party into two groups in 1965, the issue of Arab versus Jewish interests had threatened to cause a break. The process had started in 1964, particularly after the Arab summit in Cairo.[1] A Jewish wing led by Moshe Sneh and Shamuel Mikunis was much impressed with Premier Eshkol's policy of "moderation" towards the Arabs and the Soviet Union. Towards the end of 1964, Eshkol made an appeal to the Knesset (Parliament) members of the Communist Party to persuade the Soviet Union to take a positive stand on Soviet Jewry and particularly on the emergence of the Palestine Liberation Organisation (PLO) and its future activities.[2] This appeal was not wholly lost, for in the party organ, *Kol Haam*, Moshe Sneh wrote an article entitled "Dayan vs Eshkol" in which he defended the moderate policy of the Eshkol government. At the same time he vehemently criticised Nasser and Ben Bella for "calling for the annihilation of Israel".[3] The mixed Arab-Jewish group led by Toufiq Toubi, Emile Habibi and Meir Vilner took exception to Sneh's "deviation" from the accepted Marxist line. Members of this group tried to remove Moshe Sneh from the editorship of the party organ, but the attempt came to nothing, although interestingly Moshe Sneh was an easier target for them than Mikunis because of Sneh's background as a leader of the Haganah (the Zionist military command) and his activities as an active General Zionist in Poland and in Palestine before the birth of the State of Israel.

Moshe Sneh on his part tried actively to persuade the Party to change its old line towards the Arabs. In another article he argued: "If because of generally positive development in the Arab states we would remain indifferent or insensitive to the tendency of wanting to annihilate Israel, we would be guilty of national nihilism, of a sterile cosmopolitarianism which has nothing in common with proletarian internationalism."[4] This diagnosis was accompanied with quotations from Lenin denouncing national nihilism.

Soviet Silence

The debate went on in both the groups. If on the one hand, Toufiq Toubi held that a solution of the Arab-Israeli conflict solely depended on the Israeli government and that Nasser had emerged in a much more positive light. Moshe Sneh argued, on the other, that the Communist Party could not identify itself with the Arab nationalist movement "because the movement was replete with reactionary tendencies".[5]

Finally in June 1965, the Communist Party split into two groups. The one led by Moshe Sneh and Mikunis retained its original name, Mifalaga Qomunistit Israelit (MAQI), and the other led by Toubi, Vilner and Habibi styled itself Reshima Qomunistit Hadasha (RAQAH). The Soviet delegates who came to attend the 15th Party Congress in Tel Aviv tried their best to stop the split but in vain. Initially, the Soviet press remained silent for fear that recognition of either group would mean acceptance by the Soviet Union of one or the other of the two opposing concepts of Israel, namely, Israel as the home of the Jewish people or Israel as a geographical anomaly in an Arab area. A slight Soviet inclination towards the MAQI became apparent when Moshe Sneh branded his opponents as the "Chinese deviationists".[6] Later, *Pravda* completely ignored the "Toubi-Vilner Party conference" and carried the text of the "Sneh-Mikunis resolution" which accused the rival group of "factionalism".[7] However, the MAQI dissociated itself from the Soviet move in the United Nations to equate Zionism with Nazism and neo-Nazism. "How could one link Zionism with Nazism which was unparalleled in history for its crimes against humanity?"[8]

In November 1965, representatives of both the MAQI and the RAQAH were invited to Moscow to resolve their differences. They met Mikhail Suslov, a member of the Politburo of the Communist Party of the Soviet Union, who pleaded with them to work unitedly.[9] In January 1966, the RAQAH issued a four-point proposal as a step towards unity.[10] The MAQI rejected the possibility of unity so long as the RAQAH maintained its anti-Israeli State posture. At the same time, it advocated joint activity and propaganda against the Zionists.[11]

Refusing to recognise the split officially, the Communist Party of the Soviet Union addressed an invitation to the Israeli Communist Party to attend its 23rd Congress in March-April 1966. The MAQI and the RAQAH decided to send a joint delegation to Moscow. And there the delegation issued a common message which avoided mention of the conflict within the Party.[12] It was around this time that Golda Meir (as the Secretary-General of Histradrut) broadcast the idea of forming a roof organisation for all of Israel's various friendship leagues with the Soviet Union under the auspices of the pro-government leadership of the MAQI.[13] The Soviet leaders rejected the suggestion.

In October 1966, representatives of both the parties again went to Moscow to hold talks on reunification, obviously on the insistence of the Soviet Communist Party. Again the latter did not succeed in patching up their differences. The two parties agreed only on one point: they both condemned the resolutions of the 11th plenum of the Central Committee of the Chinese Communist Party, which had criticised the Soviet Union.[14]

Until the crisis and the war of June 1967 both the parties shared some objectives so far as the Soviet Union was concerned. Both pledged their solidarity with Moscow and gave vigorous support to the CPSU in the Sino-Soviet ideological conflict. The CPSU in return adopted an attitude verging on impartiality. Occasionally, however, the MAQI took a stand different from that of the Soviet Union as, for instance, on the Israeli-Syrian border clashes. The MAQI pleaded: "It is necessary to warn both sides to abstain from acts of aggression if such a clash is to be prevented, it is necessary that the government in Damascus too should be influenced to stop the acts of sabotage and murder against Israel conducted by the al-Fatah organisation, and not only to censure Israel."[15]

The June War

The war of June 1967 aggravated the differences between the two factions of the Israeli Communist Party. Up to the outbreak of hostilities each advocated a peaceful solution of the Arab-Israeli conflict. The MAQI called for the "withdrawal of Israeli and Arab contingents from the border areas, for abstaining [from] the use of force by both sides, for strict observation of existing armistice agreements".[16] It also called on the Arabs to stop making sabotage raids into Israel and it asked Israel to abandon its methods of reprisal.[17] On the other hand, RAQAH, which claimed to represent the "voice of Arab protest" in Israeli politics, praised the Soviet Union for its efforts to "frustrate the war-mongers" and warned the government of Israel "not to pull the chestnuts out of the fire for the imperialists". It also insisted that Israeli policy should not ally itself with "imperialism against the Arabs, but with the Arabs against imperialism".[18] When the war broke out, the MAQI regarded it as "a war of defence" on the part of the Israeli people and justified it by saying that their actual physical existence and the sovereignty of the State of Israel were in danger. In the Knesset, Mikunis declared it a "just war". He said: "The question of who fired the first shot was irrelevant; Leninism taught that what mattered were the plans and intentions of each State".[19] On the other hand, the RAQAH charged Israel with committing "aggression" on the Arab states and regarded the conflict as the war of an anti-national government.[20]

From the beginning of the crisis, the RAQAH supported Soviet policy and held that the Soviet action in severing diplomatic relations with Israel was not directed against the Israeli people but against the policy of the government of Israel which had sacrificed the national interests of Israel at the altar of the interests of the Anglo-American oil companies in the region.[21] But the MAQI criticised the Soviet support for "pan-Arab anti-Israeli chauvinism". It charged the Soviet Union with adopting a one-sided position. It also maintained that the Soviet action in calling upon Israel to retreat unconditionally had not helped reduce tension in the area. Nor had the Soviet action sobered the Arabs and made them see the futility of all talk about "annihilating" Israel.[22] In a sense, it had aggravated the situation.

Early in August, a RAQAH delegation, including Meir Vilner and Toufiq Toubi, went to Moscow and expressed its full support for the "consistent steps" of the Soviet government and the CPSU to "uphold the just case of the Arab peoples".[23] In return, the CPSU proclaimed that the RAQAH was truly an international party and that it was the only true representative of the Israeli proletariat. At the same time it charged the MAQI leadership with "nationalist deviationism". *Pravda* wrote: "The Sneh-Mikunis group while supporting Israel's aggressive war had betrayed the basic principles of the workers' movement — peace, proletarian internationalism, genuine patriotism, the brotherhood of peoples and socialism".[24]

When the Soviet support for the RAQAH became apparent, the MAQI accused the Soviet Union of deviating from the policy of non-interference and asked "whether it was against the principles of Marxism-Leninism to support one's country and its people on a position of war with other countries". By way of illustration, the MAQI referred to the Indian example of support extended by the Dange group of the Communist Party of India, with Soviet approval, to Nehru when India was attacked by Communist China. "If he [Dange] was right, how can we be wrong in this context?"[25] Obviously, Moscow had no affection for the "Hebrew Communism" of the MAQI, since it did not fit in with its Arab policy.

After August 1967 most of the Communist Parties of the world (notable among the exceptions being the Rumanian Communist Party) recognised the RAQAH as the only Israeli Communist Party. It is no exaggeration to say that from then on the CPSU virtually ignored the existence of the MAQI. It underlined its disapproval of the MAQI later by its decision not to invite it to send a delegation to attend the Golden Jubilee of the October Revolution. The omission was enhanced by the welcome given to the RAQAH delegates in Moscow.

In sum, the split in the Israeli Communist Party did not create much anxiety for the CPSU. This was partly because both the factions initially looked to Moscow for directives and partly because the Israeli Communist Party did not figure much in the shaping of Soviet policy on West Asia. It is also a fact that, paradoxically, Soviet influence in West Asia has always been greater in those countries where it does not have a cadre of faithful Communists.

Notes

1 Author's interview with late Moshe Sneh, July 14, 1971.
2 *Ibid.*
3 *Jerusalem Post*, February 9, 1965.
4 *Kol Haam* (Tel Aviv), February 20, 1965. Quoted in *New Outlook* (Tel Aviv), April 1965, p 48.
5 *Jerusalem Post*, May 20, 1965.
6 *Ibid*, August 6, 1965.
7 *Pravda*, August 10, 1965.
8 *Kol Haam*, October 17, 1965. Quoted in *The Wiener Library Bulletin* (London), Volume 20, Number 1, pp 7-9.
9 Author's interview with Toufiq Toubi, July 29, 1971.
10 *Information Bulletin* of RAQAH (Tel Aviv), February 1966.
11 *Year Book on International Communist Affairs*, Stanford, California, 1967, p 274.
12 *Ibid.*
13 *Jerusalem Post*, April 1, 1966.
14 *Pravda*, October 5, 1966.
15 *Kol Haam*, February 2, 1967. Quoted in *Jerusalem Post*, February 3, 1967.
16 *Morning Star* (London), May 29, 1967.
17 *Kol Haam*, May 19, 1967. Quoted in *Jerusalem Post*, May 20, 1967.
18 *Information Bulletin* of RAQAH (Tel Aviv) June-July-August 1967.
19 *Haaretz* (Tel Aviv), July 5, 1967. Quoted in *Middle East Record* (Tel Aviv), 1971, p 380.
20 *Information Bulletin* of RAQAH (Tel Aviv), June-July-August 1967.
21 *Al-Ittihad* (Haifa), June 29, 1967. Quoted from *ibid.*
22 *Jerusalem Post*, August 6, 1967.
23 *Ibid.*
24 *Ibid.*
25 *Information Bulletin* of MAQI (Tel Aviv), March 1968.

A Matter of Period

Vinod Mehta

The Soviet Union and the Emerging Nations: A Case Study of Soviet Policy Towards India, by Harish Kapur; Michael Joseph, London, 1972; pp 124; £3.50.

SINCE the signing of the Indo-Soviet Treaty of Peace, Friendship and Co-operation, a spate of books have been written on Indo-Soviet relations. Most of them trace amiable relations between India and the Soviet Union since the times of Russian traveller Afansi Nikitin! But none of them has tried to study the development of Indo-Soviet relations in the context of international politics.

This grave gap has now been filled by Harish Kapur's book. Kapur's main thesis is that Soviet policy towards India has not always been friendly but has been determined in each period by a particular set of international political developments. During the inter-war period, the Soviet Union had two different policies for Asian countries — one was diplomatic and directed against politically independent countries, and the other was revolutionary applicable to colonial areas. India fell under the second category. This policy was dictated by the belief that, by threatening British power in India, Russia would seriously undermine British power in the world. It is not surprising, therefore, that open support was often extended to the Indian nationalist movement.

However, during the Second World War, the Soviet Union was too preoccupied to devote any attention to any revolutionary activities in the colonial countries. As Kapur points out, one Soviet writer even went to the extent of sympathising with the British position when he rejected India's demand for Independence. The Soviet author is quoted to have said that it was not the time for Indian Independence but for full mobilisation of India's forces against fascism.

But after the war, Soviet interest in Asia began to revive. Nationalist movements in Asia were gaining strength, and it was difficult for the Soviet Union to ignore them. However, it endorsed armed resistance against the nationalist governments as well as against the colonial powers as the only effective method of introducing viable changes in Asia.

After Independence, Kapur points out, when Nehru declared that India would adhere to the policy of non-alignment, it was denounced by Stalin as reactionary. However, this attitude of the Soviets changed in the course of time. Nehru's attitude towards the Chinese revolution, towards the Korean war, on the Suez issue; his anti-imperialist posture; and the isolation of communist parties in Asia — all these were mainly responsible for the change in Soviet attitude to India. The Soviet Union on the other hand reciprocated, by supporting India in the UN on the Kashmir and Goa issues, and by assuming a neutral stance during the Sino-Indian war. During Khrushchev's era, relations between India and the Soviet Union became even warmer.

But a little estrangement came into Indo-Soviet relations when the Soviet Union started to supply arms to Pakistan to woo it from America. In spite of the Soviet Union's clarification that it would not do so at the cost of Indo-Soviet friendship, the estrangement remained.

Kapur's book, though published in 1972, does not take into account the Indo-Soviet Treaty of Peace, Friendship and Co-operation. Therefore, one is inclined to disagree with Kapur's conclusion when he says, "It is, therefore, most unlikely that she (India) would become a marginal factor in Soviet policy towards Asia, though it is also unlikely that she (India) would ever reacquire the same important position as she had during the Khrushchev period." With the signing of the Fifteen-Year Economic Agreement, the relations between India and the Soviet Union have assumed a new dimension. It is hoped that Kapur would revise his book to include and analyse the new developments. Yet, any serious student of Indo-Soviet relations would lose if he ignored this book.

The Arab Cause in Modern Terms

A G Noorani

United Nations Resolutions on Palestine, 1947-1972; compiled and classified by Sami Musallam; Institute for Palestine Studies; P.O. Box 7164, Beirut; $ 12.
Report of the Secretary-General under Security Council Resolution of April 20, 1973; Institute for Palestine Studies; $ 4.

FOR long, the Arab case in the Arab-Israeli debate went by default — and not in the West alone. Israeli spokesmen argued in the modern idiom and in the accents of their audience. Arab publicists who could match them in this could be counted on the fingers of one hand. Scholars like Edward Atiyah were all too rare. Consequently, Walter Lacquers had hardly any rivals in the debate.

There was, doubtless, a small band of Western scholars who knew and felt deeply about the gross injustice being done to the Arabs, especially over the last six decades. But cogent Arab exposition for non-Arab audiences was rare. The Institute for Palestine Studies, a research organisation, set up in Beirut in 1963, fills the void most ably. It has published monographs on the genesis of the Palestine question: 'The Balfour Declaration' by J N M Jeffries, 'Jerusalem: Its Place in Islam and Arab History' by A L Tibawi, and the 'Partition of Palestine'. Studies like Sami Hadawi's "The Arab Israeli Conflict" have become minor classics by now. There is a spate of literature on aftermath of the wars like "The Judaisation of Jerusalem 1967-1972", on the Arabs in Israel, and Israel's attitude to the despatch of UN Missions to those areas.

They all express the Arab viewpoint, undoubtedly, but the important point is that they do so with a wealth of documentation and a marked cogency in argument, which was hitherto lacking in Arab presentations.

The two volumes under review reflect the Institute's emphasis on documentation and its faith in the justice of its cause. The collection of UN resolutions on Palestine during a quarter century is a boon to students. It comprises the resolutions of the organs of the UN, the General Assembly, the Security Council, the Trusteeship and Economic and Social Councils, as well as UNESCO and WHO. Maps and statistical tables of voting, detailed re-

ferences to sources of texts, and classified indexes make it an excellent reference work.

On April 20, 1973, significantly at Egypt's instance, the Security Council unanimously resolved to ask the Secretary-General to submit "a comprehensive report giving full account of the efforts undertaken" by the UN regarding the situation in West Asia since June 1967. The Report, submitted on May 18 and reprinted by the Institute, is an impartial survey of the peace efforts during a crucial period; it reveals fully Israel's obstructionist attitude. It is a pity that awareness of this should have dawned as a result of the Arabs' military effort in October 1973 and not because of this Report.

Perhaps the most damning indictment of the Israeli case has come from none other than Moshe Menuhin, father of the famous musical genius, Yehudi Menuhin. His classic "The Decadence of Judaism in Our Time", has been reprinted by the Institute with his consent ($ 7). He quotes chapter and verse in support of his views and writes, movingly: "As a conscientious Jew, I feel it necessary to set forth my views on Jewish history after studying and observing for many years the lofty and dignified Judaistic past of pure ethics, philosophy and religion, on the one hand, and the current decadent, tragic and revolting perversion of it into boisterous 'Jewish' nationalism — Judaism turned into rampant Israelism — on the other".

He has established a new organisation, Jewish Alternatives to Zionism, Inc, and his plea to his co-religionists is simply this: "Go back to the country given to you in 1947 by the United Nations at the expense of indignant Arabs of Palestine, and lead a constructive instead of a destructive life. That 1947 country is more than enough to take care of the really persecuted Jews of the world. Everybody will be glad to help them as Levantine Jews who have a State of their own."

SPECIAL ARTICLES

Satellite TV Revisited

B D Dhawan

This paper seeks to bring out the inadequacies and the irrelevance of the INSAT TV system for India.

In view of the great diversity of languages and life styles, we must plan for a highly decentralised TV system in which the satellite plays a small role of providing a national hook-up. In such a system the limited rebroadcast transmitters are part of state-level sub-systems; that is, these receive TV signals from the mother or the central TV station of each sub-system, and not from the satellite.

What then is the great point in persisting with the thrice-postponed satellite TV experiment? The futility of half of the experiment — test trial of TV reception by 2,400 community TV receivers fitted with front-end converters and chicken-mesh antennas — is beyond doubt. The investment of about Rs 72 lakhs, with a foreign exchange component of about Rs 5 lakhs, in 2,400 augmentation devices would be a dead loss. And since the test trial is to take place in the UHF band in which ISRO is no longer interested, a successful test trial of satellite technology does not mean anything worthwhile for ISRO's INSAT plan designed in the S-band of the radio spectrum.

In short, the experiment can be scrapped forthwith, thus saving about Rs 9 crores.

THIS writer has been trying, through these columns specially, to argue that satellite technology, contrary to the claims of the Indian Space Research Organisation (ISRO), has a rather very limited and unexciting role to play in the establishment of a nation-wide TV system in case we want to build one for our country.[1] However, a careful reading of the Draft Report of the Fifth Five-Year Plan, released recently, indicates that Yojana Bhavan has, subject to some qualifications, accepted the claims of ISRO. While ISRO's forceful pleas for triggering off a communications revolution *via* satellite TV in the seventies have been turned down by the planners, handsome provisions have been made in the Draft Report for preparatory work as a prelude to a full-fledged satellite TV network, possibly in the Sixth Plan period. Notwithstanding that the Fifth Plan is in the doldrums for a variety of reasons, a fresh appraisal of the place of satellite technology in developing television in India in the future may not be an unrewarding task.

Place of Television

It has been — if press and radio reports are any indication — a rather agonising task for the planners to determine the place of television in the Fifth Plan. Whatever allocations for television have finally emerged are the outcome of a series of confabulations and confrontations among the Planning Commission, the Ministry of Information and Broadcasting, ISRO and the principal TV user ministries of Education, Agriculture and Family Planning. The two leading promoters of the TV idea — ISRO and AIR — have themselves to blame for the protracted discussions in Yojana Bhavan. On the one hand, the two confronted each other, each with its own blueprint for ushering in a communications revolution during the Fifth Plan period. On the other hand, they committed the folly of not putting the principal users of educational or developmental TV in the forefront while approaching the Planning Commission. The TV promoters' inability to associate the user ministries in seeking funds for TV broadcasting intrinsically weakened their case for television.

The first hurdle to be crossed was the familiar image that TV is a luxury in a poor country. This hurdle, it was thought by the promoters of the TV idea, could be surmounted in two ways: (1) the image of TV could be refurbished and (2) community TV receivers could be provided for the masses who could not afford to buy their own TV sets. Here, the past and the present stared the planners and the promoters of TV in the face.

Past Performance

Television has proved a remarkable medium for entertainment and information dissemination. However, as a medium of instruction, its *ex-post* record abroad has been that it is no better than conventional methods of teaching. The late Vikram Sarabhai looked upon television — especially television *via* a satellite that beams programmes directly on to TV receivers — as an instrument of development of the country. This enlightened view of the medium, however, is at variance with the past record of television in our country. What we have witnessed is the emergence of a degenerate television, a far cry from either educational or developmental television. Not to speak of its developmental or educational impact, it has provided a perverse "window on the world". It has turned out to be more of a window on the cinema world; the inert world of politicians, bureaucrats and academics; the still world of TV studios; the world of urban elites — but far from the sociologists' world that socialises the young and the grown-up. Why? The simple answer is that there is no money to fund TV stations sufficiently to exploit its developmental potential, if any.

And where are the community TV sets for the have-nots and the TV sets for schools? Barely one thousand such sets are functioning and that too mainly in schools for school students. The rich have received another bounty from the exchequer and found a very low-cost means of spending their leisure time. The masses within the range of the existing five TV stations have been left in the cold. Why? It is expensive to instal and maintain community TV sets. There is probably no point in sinking money into community TV receivers if one has not produced the expensive developmental or educational TV programming material in the first instance.

A further complication on the TV question arose from the planners' own side. This stemmed from the specific egalitarian goals propounded in the Fifth Plan Approach Paper. The massive expansion of TV broadcasting, as originally sought by ISRO as well as AIR, did not square well with the planners' posture on egalitarian objectives. In the Draft Plan these objectives have been sufficiently diluted to enlarge the Planning Commission's degree of freedom *vis-a-vis* TV as well as many other things (such as the Maruti car) which are meant for the top 30 per cent of the population. But the planners are not particularly well placed to solve the problem of paucity of funds for annual operating cost of TV stations. While they can earmark capital outlays for installing community TV sets — as they have rightly done in the Draft Report — they are not in a position to provide either for the adequate repair and maintenance of community TV sets or the production of expensive programmes needed for making an educational and developmental impact in the rural areas. These are current outlays which have to be funded annually in Central budget (or state budgets in case the Centre wants the states to foot the bill). In Parliament, annual demands for grants for TV stations have to compete with many other pressing demands for grants for developmental and educational programmes in action, not to speak of periodic grants for distress relief. Until the TV user ministries press for such funds when the Minister for Information and Broadcasting places before the Lok Sabha AIR's demands for grants for TV stations, adequate funding for maintaining a developmental TV system cannot be ensured year after year.

The dilution of the Fifth Plan's egalitarian goals did not however mean the end of the planners' travails. They had still to indicate their preference for the pet plan of each of the two contenders, namely, AIR and ISRO. Though it was a simple technical matter, the powerful pleas of ISRO and its past commitments had to be reckoned with. In particular, ISRO's agreement with the National Aeronautics and Space Agency (NASA) of the United States, enshrined in a Memorandum of Understanding signed in 1969, made the choice between its and AIR's proposals somewhat difficult for Yojana Bhavan. In my view, ISRO's commitment for satellite TV experiment has distorted the whole thinking on television in India. It is a pity that even Yojana Bhavan has not escaped from the pernicious grip of ISRO's satellite TV experiment.

TV in the Fifth Plan

The final outcome of the rather prolonged confabulations between the planners and the promoters of TV is a compromise solution. An outlay of Rs 80 crores is indicated in the Draft Plan. (To this may be added part of the reported spillover from the Fourth Plan period.)[2] While this allocation implies a substantial step-up in the priority for television in the next Plan, it is substantially below the claims staked by ISRO as well as AIR. However, it would have to be scaled down substantially in the light of unfolding ramifications of the oil crisis and the widespread shortages of necessities of life such as foodgrains, edible oils, domestic fuels, clothing, etc. In fact, the case for freezing the expansion programme for TV broadcasting and the TV sets making industry is now very strong.

The detailed breakdown of the proposed outlay on TV broadcasting is not available. The lion's share would certainly go for the construction of TV stations and TV relay stations. The rest is earmarked for (i) provision of community TV stations and (ii) setting up a TV training institute in Delhi. There is no provision for hoisting a satellite of our own for bringing TV to all nooks and corners of India during the seventies. Instead, there are the following provisions for preparatory work in this regard:[3]

(a) Rs 16.75 crores on research and development work on the application of space technology to telecommunication, television, meteorology, remote sensing, navigation and geodesy;

(b) Rs 93.50 crores for development of launch vehicles with capacity for launching synchronous satellites needed for television, telecommunications, etc; and

(c) an unspecified amount for conducting the satellite TV experiment called SITE.

These provisions of the Fifth Plan reveal that the planners essentially accept that the satellite has a definite and important role to play in Indian TV development, possibly after the end of the Fifth Plan period. Their wholehearted endorsement of SITE — that it would provide "a system test of broadcast satellite for national development" — speaks for their predilections for satellite technology as compared to terrestrial technology of microwave and TV towers. If the experiment is successful, one may expect the deployment of our own synchronous satellite for TV broadcasting in the eighties. It is in this context that I propose to reappraise once again the usefulness of satellite technology for TV development in India in the following paras.

Role of Satellite

I have been arguing in my writings

that satellite technology is ill-suited for a national TV system based on the bold concept of direct reception of TV signals from satellite to TV receiver. (This is technically known as broadcasting satellite service.) In sharp contrast to this exciting role, its possible role is limited to just providing a national hook-up, or inter-connection, in the TV system for half an hour or so every day. (This is technically known as fixed-satellite service system.) In this rather conventional role, the satellite acts like a microwave relay system carrying one TV programme to all regional, programme-producing or 'mother' TV stations only.

In arguing that satellite technology is not suited for direct reception type of television in India, I had based my assessment solely on technical considerations. In this rapidly advancing world of technology, we may take a fresh look at the technical assumptions to see for ourselves whether there is need for a revision in my earlier perception. Also, the economics of such a satellite-based system *vis-a-vis* conventional TV system is probed afresh.

International Constraints

Telecommunications require strict control and regulation so as to avoid mutual interference of radio signals, both in the domestic and international spheres. In case of telecommunications *via* satellite the problem of international interference of signals has become very significant because a single geo-stationary satellite, deployed in TV broadcasting directly to TV receivers, can 'illuminate' (i e, reach) 40 per cent of the globe.[4] Thus, a TV signal emitted by a transmitter on a satellite can easily spill over to many countries in the neighbourhood of the one country which has hoisted the satellite for domestic telecommunications and TV broadcasting. While the use of reflectors on a satellite can narrow the radio signal to a surface area much less than 40 per cent of the globe, the geometrical shape of most countries is far from strictly circular so as to enable beaming strictly within the international boundaries of a country. To illustrate this point for the particular case of India, a synchronous satellite, emitting a TV beam pointed to Nagpur as its central point, would give rise to spill-over effects as follows:

As the beam is widened to cover the whole of Gujarat and Rajasthan in the West, West Bengal in the East, and UP in the North, the TV signal would spillover to (i) the border areas of West Pakistan, notably Karachi and (ii) the whole of Nepal and parts of Tibet and Bangladesh. Such a beam, however, would not cover Assam, Meghalaya, Tripura, Manipur, Nagaland, Jammu and Kashmir, parts of Punjab, Haryana, Madras and Kerala. In attempting to reach such excluded areas our satellite TV signal would get into Sri Lanka, Burma and Afghanistan as well.

The World Administrative Radio Conference (WARC), an international body that tries to regulate international telecommunications, met in Geneva in June 1971. In view of the widespread apprehension of interference from satellite telecommunications in domestic terrestrial telecommunications, WARC imposed certain constraints on telecommunications *via* satellite.[5] These constraints, which are given in Table 1, consist of (a) specific allocations of radio spectrum for various types of telecommunications *via* satellite in different regions of the globe; and (b) power of radio signals or power flux density limitations. It is sometimes asserted that WARC constraints nullified a good deal of spade work on satellite TV done by ISRO between 1967 and 1971 — a period known for publicity of ISRO's grand TV plans for India. There is indeed truth in this assertion but I must hasten to add that whatever was nullified was misconceived in the first instance, as would become evident below.

Three Options

So far as India is concerned the WARC has left us three options in respect of the frequency bands for satellite television for domestic use. The first is in the lower part of the radio spectrum, viz, 620-790 MHZ in the UHF band. The second is in the middle part of the radio spectrum, namely, 2,500-2,690 MHZ, or 2.50-2.69 GHZ, in the S-band. And the third is in the upper GHZ band, 11.70 to 12.20 GHZ. My oft-repeated argument that no more than 5 TV channels can be available from a satellite has rested on the two following assumptions:

(a) A bandwidth of 40 MHZ is needed for one TV channel in FM mode of broadcast to be employed in TV broadcast *via* satellite.

(b) The radio bandwidth of 500 MHZ in the upper GHZ band, which is capable of yielding almost 13 TV channels in FM broadcast — given assumption (a) — is currently little exploited for telecommunications. Suitable telecommnication equipment for propagation and reception of radio signals in this little-used part of the radio spectrum has to be evolved, and the cost of such equipment would be substantially above the corresponding equipment for the conventional UHF band. Therefore, generous provision of frequency allocations at this tail-end of the radio spectrum is of little value in overcoming the TV channel constraint posed by the allocations in the lower and middle bands.

Now, there is need for taking a dynamic view of bandwidth requirements per TV channel as well as availability of telecommunications equipment for the upper GHZ band. The time-frame for the INSAT plan is no longer the Fifth Plan period. In short, assumptions (a) and (b) are valid if INSAT plan were to be on the agenda during the Fifth Plan, for which ISRO has been pleading since the beginning of the seventies.

Radio Spectrum

The radio spectrum is a natural resource whose scarcity is very much akin to that of the natural factor of production, land. The fixedness of this resource partakes the character of flexibility as well. Mankind's progress in exploiting land for agricultural production bears a close parallel to the last one hundred year's exploitation of the radio spectrum for telecommunications. The more 'fertile' part of the lower end of the spectrum (viz, VHF and UHF bands) is being exploited more and more intensively to yield more and more telecommunications per unit width of the spectrum. At the same time, the 'barren' parts of the spectrum have come to be exploited through spectacular advances in knowledge and technology, thereby enhancing the useful part of the spectrum for telecommunications. In this process, however, the marginal cost of telecommunications has tended to rise as we moved from the lower end to the upper end of the spectrum.

Telecommunications *via* satellite would be naturally more economical in the lower parts rather than the upper parts of the radio spectrum. Since the VHF band is already congested and well-exploited, the less-exploited UHF band could be quite economical for telecommunications *via* satellite. Thus, joint studies between ISRO and the General Electric, USA, in 1969 revealed that the UHF band would prove the most cost-effective in Indian conditions. Likewise, the joint studies between ISRO and Lincoln Laboratory, MIT, USA in 1970 — the first detailed design of INSAT proposal is in this ISRO-MIT report — found 800 to 960 MHZ section of the UHF band very relevant for us. In point of fact, the SITE experiment is designed for test trial in the 800-900 MHZ band.

Table 1: WARC Constraints for TV Broadcasting via Satellite in India

Part of the Radio Spectrum	Bandwidth Allocated	Power Flux Density Limit
UHF band	620-790 MHZ	49.5 dBW
S-band	2500-2690 MHZ	62.0 dWB
Upper geigahertz band	11.7- 12.2 GHZ	None

Source: E V Chitnis (convener), "Report of the Study Group on Communications", Indian Space Research Organisation, Ahmedabad, July 1972.

ISRO is no longer inclined to use the UHF band for satellite telecommunications. There is the problem of scintillation of TV signals (like the phenomenon of twinkling of stars) in UHF band, which has been lately noticed in some experiments abroad. Then one encounters the unfavourable WARC decision in respect of power flux density for this band.[6]

Ever since the publication of the WARC regulations in July 1971 ISRO has shown keen interest in the S-band for its INSAT plan. Since its time horizon for INSAT was limited to the late seventies, its scientists concurred with the following expert view:

> "Although 11.7 to 12.2 GHZ is promising for the future, in the next five years India is not in a position to have an operational direct broadcast satellite system in that band. However, since this band has no flux density limitations, it will be worthwhile to investigate the possibility of using this band in the future".[7]

In view of (a) the handsome provision of 500 MHZ bandwidth and (b) the absence of power flux density limitations, the upper GHZ band for TV broadcast for satellite appears indeed a very attractive prospect. The problem of regional diversity can be tackled more adequately in this band rather than in the 2.5 GHZ band. Granting that 20 MHZ (instead of 40 MHZ) is enough per TV channel, almost 25 TV channels can be carved out of the available bandwidth without any worrying about spillover effects from our TV system onto our neighbours, of which at least two may be hostile to our endeavours in space. But the tantalising prospect is shrouded in uncertainty at the moment.

In this era of fantastic feats in outer space I have no doubt that a full back-up of research and development effort can certainly produce the needed hardware for telecommunications in the 11.7 to 12.2 GHZ band most suited to our domestic requirements. But the economic feasibility of the INSAT system in this band would require reconsideration. As noted earlier, telecommunication devices become more and more expensive as one moves up in the radio spectrum. Take the case of the augmentation device for a conventional TV receiver, known as front-end converter. The Electronics Corporation of India, Hyderabad, is reported to have agreed to produce one front-end converter for SITE experiment for Rs 2,000.[8] The cost of the front-end converter for the 11.7 to 12.2 GHZ band may be up by a factor of two or more. Given the large number of community TV receivers needed in our TV system, the system cost may rise by hundreds of millions of rupees, as shown in Table 2.

Likewise, the cost of a satellite (including the launching cost) rises substantially as one mounts on it more transponders to get more TV channels. For example, a small satellite with one TV channel capacity in UHF band may cost about Rs 20 crores compared to Rs 41 crores for a big satellite of 4 TV channel capacity in the S-band. It is mainly the launch cost which rises sharply as the payload on the satellite increases. To illustrate, the average and the marginal launch costs per kg weight are as follows:

Average cost per kg of a small satellite of 340 kg: Rs 150,000 per kg

Marginal cost for the next 250 kg: Rs 310,000 per kg

In short, the economics of a direct broadcast satellite, operating in the 11.7-12.2 GHZ band, is indefinite at the moment. Therefore, any claim that the INSAT system for the upper GHZ band (instead of the 2.5 GHZ band) would be cost-effective is premature at this stage.

Let us look at our third option, the S-band, for the INSAT system. The number of TV channels that can be carved out of the available bandwidth is constrained by (i) the bandwidth chosen per TV channel and (ii) the upper-limit of 62 dBW power flux density for TV broadcasts in the S-band. The Study Group on Communications, constituted in November 1971, was of the view that about 3 TV channels can be obtained with polarisation diversity and 3 more TV channels can be obtained with increased cost in ground segment. After the week-long deliberations at the Ahmedabad Seminar on Indian Programme for Space Research and Applications, the above assessment was re-appraised and it was decided that INSAT system should have 5 TV channels, implying the use of about 38 MHZ per TV channel and an EIRP of 51 dBW per TV channel. But according to one assessment, only 20 MHZ bandwidth per TV channel would suffice, with a 10 MHZ separation for each TV channel as set out in Table 3.

Number of TV Channels

During a recent visit to Ahmedabad it was brought to my notice that because of recent technical progress a bandwidth of 10 MHZ could suffice for a TV channel in FM mode of broadcast *via* satellite.[9] The use of such a narrow bandwidth could conceivably enable us to carve out much more than 5 TV channels from the S-band. But why don't we do that? Given a bandwidth of 190 MHZ available for satellite TV, as many as 19 TV channels could be provided for in the INSAT design — enough to take care of our significant diversity of languages and life styles. Instead of doing so in a straightforward way, why is ISRO adopting the questionable course of providing 5 audios for each TV channel to tackle the problem of regional diversity in the country? Is it because the TV system of 19 TV channels would become prohibitively expensive? Or is it because both the capital and the current costs of the INSAT system of 19 TV channels would get escalated so substantially that such a system would no longer be cost-effective when compared with a purely terrestrial TV system of comparable design?

I am not in a position to provide definitive answers to these questions. To begin with, I am not able to figure out if the power flux density of a 19 TV channel satellite would not exceed the WARC limit of 62 dBW for the S-band. Presuming we could technically conform to the WARC regulation, I am not in a position to cost up such a system. The following components and segments of the INSAT system would rise substantially as we add 19 instead of 5 TV channels in the system:

(i) the front-end converter,

(ii) the launch vehicle and the satellite,
(iii) R and D work, and
(iv) software production

My considered view is that such an INSAT system would turn out to be as expensive as a purely terrestrial TV system. It is, however, a hypothesis, not a conclusion.[10] The view is indeed shared by well-informed scientists within ISRO itself, though it is at variance with ISRO's own claim that satellite technology would cost a fraction of the total cost of terrestrial technology of microwave and TV towers in case India wants to build up a really nationwide TV system. But since ISRO's claim rests on comparisons of doubtful value, we might as well look at the basis of this claim.

It was in 1967 when NASA and ISRO (then under the aegis of the Department of Atomic Energy) did a joint study on the scope for deploying a satellite for TV service in India. The study examined the broad alternatives available to India for national TV coverage. It recommended that a 'hybrid' system, employing a synchronous broadcast satellite for direct reception by TV sets in most parts of India and receive-rediffuse TV stations for densely populated urban areas, was most economical for us. For the estimated cost of such a system would be one-third of the cost of a conventional terrestrial system. In my view, the genesis of the ISRO claim under investigation is this finding of NASA-DAE study. Ever since then ISRO is, so to speak, hooked on deploying a satellite, among other things, for direct TV broadcasting in India. It has neither bothered to question the economic basis of its claim nor cared to look into the relevance of the satellite TV system in meeting the communication and educational needs of the country. That its comparison between satellite-based TV system and conventional TV system pertains to two non-comparables needs to be brought out. This is shown in what follows.

Non-Comparable TV Systems

A purely terrestrial TV system can be a highly decentralised one as well as truly oriented to regional needs. Each TV tower in such a system can meet the regional constraints of language, general life style, cultural traits and beliefs of the local population within its range of 50 to 80 kilometres. In other words, we can have as many TV channels as we need to take care of our regional diversity, thereby enhancing

Table 2: Total Cost of Front-End Converter for Different Number of TV Sets and at Different Prices of Converters

No of TV Receivers \ Price of a Converter	Rs 2,000	Rs 4,000	Rs 5,000
0.5 million	Rs 1,000 million	Rs 2,000 million	Rs 2,500 million
1.0 million	Rs 2,000 million	Rs 4,000 million	Rs 5,000 million

Table 3: Radio Bandwidth Allocation for Satellite TV (Downlink) in INSAT-S Plan

Channel Number or Spot Beam Number	Radio Frequency (MHZ)	Remarks
1	2530-2550	1 The bandwidth approved by WARC (1971) for satellite TV for India (Region 3) is 2500-2690 MHZ.
2	2560-2580	2 Radio frequency allocations for the downlink satellite telecommunications are other than those for television.
3	2590-2610	
4	2620-2640	
5	2650-2670	

Source: Pramod Kale, "INSAT-S: A Conceptual Satellite Design for INSAT", ISRO, July 1972, (Mimeographed), p 40.

the impact value of the medium. We can build meaningful interconnections among these stations. For example, all TV towers within a state can be interconnected with microwave or coaxial cables, thus building sub-systems at the state level. These sub-systems, each dedicated to the main language group of a state, can be combined into a national system to provide a national hook-up for a common TV programme in one language at a time. Since the two officially-recognised national languages of the country, Hindi and English, cannot be effectively understood in all parts of the country, the duration of the national hook-up in the TV system has per force to be short, as is currently being done on AIR whose nationwide morning and evening news bulletins in Hindi and English are broadcast over all radio stations simultaneously.

To compare this kind of terrestrial system with a satellite TV system of a few TV channels is unwarranted. Let us go over the satellite TV systems proposed by ISRO and others. Let us take up those systems with just one TV channel. Rosenberg (1966), the NASA-DAE study (1967), the NASA-sponsored 'Stride' study of the University of West Virginia (1967-68), and the General Electric (1970) made a provision of just one TV channel. Thus, the synchronous satellite would beam one TV programme all over India. Such a national TV system is neither needed by us nor is it comparable with the terrestrial TV system outlined earlier.

The Hughes Aircraft Corporation did a second study for India in 1971, providing for 2 TV channels in its proposed satellite TV system. But the authors of ISRO-GE and the ISRO-MIT studies were a bit more liberal as they provided for 3 TV channels (the latter, with one back-up TV channel). ISRO's current thinking is in terms of 5 TV channels; each oriented to one part of India but with built-in provision for national hook-up of one TV channel capability.

Only Prasad and Singh (ACME Report, 1969) and myself (1972) have argued that the best role for satellite in a TV system is for interconnecting regionally-oriented TV sub-systems. While Prasad and Singh found that 16 slow-moving aircrafts fitted with TV transmitters could serve as regional TV subsystems, I found conventional TV stations somewhat more cost-effective than such aircraft-based regional sub-systems.

ISRO has been trying to make its INSAT TV system superficially comparable to the purely terrestrial TV system by two routes: (i) the introduction of the idea of 5 spot beams, each carrying one TV channel plus five accompanying audio channels for each separate region of the country, and (ii) the increased hybridisation of INSAT system in favour of the conventional mode of TV broadcasting. Route (i) was opened up by a pioneer paper by Pramod Kale while route (ii) was strongly advocated by Wing Commander K R Rao. Let us examine in detail what is the present thinking of ISRO in respect of (i) and (ii).

Idea of Spot Beams

Instead of one common beam of 5 TV channels illuminating the whole of India, Pramod Kale has proposed 5 spot beams with the regional coverages (and non-coverage) outlined in Table 4. I have labelled the spot beams as follows so as to distinguish them properly:

(1) Far-Eastern Beam
(2) Eastern Beam
(3) Southern Beam
(4) Western Beam
(5) Northern Beam

The most noteworthy point is that no single spot beam covers one area which can be culturally deemed to be homogeneous. It is naive to imagine that cultural diversity of a region covered by a spot beam is fully taken care of once provision is made for language diversity *via* audio channels. To begin with, language diversity is not synonymous with cultural diversity: language is just one distinguishing element of cultural diversity. Unless a TV viewer in a rural area discerns some cultural identity with the TV characters and images, he may not appropriately get the message in education and development. Since the whole rationale for developing this visual medium rests on its communication potential *par excellence* for the illiterate and the unsophisticated, any attempt to downgrade the significance of the TV visual is to substantially curtail the impact value of the medium.

Secondly, one faces the formidable task of lip synchronisation in dubbing the visual in several languages. It is a time-consuming process. Evidently, TV news bulletins cannot be dubbed. So, these would have to be broadcast in all the languages of a given region, thus pre-empting a good deal of TV broadcast time everyday. In case of documentaries, the TV station managers can take a cue from the Films Division and offer running commentaries in several languages. But in case of dramas, skits, plays, school lessons, etc, the TV producers would have to carefully pre-plan the language scripts and the TV shots. For example, the problem of lip synchronisation can be minimised for a TV viewer by eliminating close shots of the TV characters whenever they are engaged in dialogue. But then these peculiar constraints would cramp the production style of TV producers, not to mention the possible loss of the impact value of TV programmes.

My apprehension is that the TV programmes of each regional beam are going to be dominated by the cultural tinge of the area having the mother TV stations. In that case, the INSAT system would cater well to the needs of five states only, while others would get a poor deal compared to what they could get in a terrestrial TV system. Even if all the states within a regional beam receive due attention in respect of cultural traits in programme production, the daily duration of time for effective viewing for each state would turn out to be a small fraction of what they could look forward to in a terrestrial system.

Table 4: Expected Beam-Wise Regional Coverage in INSAT-S System

S No (1)	Name of the Regional Beam (2)	States/Territories Covered (3)	Remarks (4)
1	Far Eastern Beam	1 Assam 2 Manipur 3 Nagaland 4 Meghalaya 5 Tripura 6 Mizoram 7 Fraction of West Bengal	1 Covers Bhutan and Bangladesh completely 2 Part of Sikkim, Burma and China also covered 3 Nicobar and Andaman not covered 4 No overlap with other Beams
2	Eastern Beam	1 Bihar 2 Orissa 3 Part of West Bengal 4 Central and Eastern UP 5 Eastern and Southern MP 6 Fraction of Maharashtra and AP	1 Marginal overlaps with Far Eastern Beam (in West Bengal) and Western Beam (in MP) 2 Significant overlap with Northern Beam in UP and MP 3 Spillover into parts of Nepal
3	Southern Beam	1 Almost whole of Karnataka 2 Almost whole of Tamil Nadu 3 Part of Kerala 4 Part of Andhra Pradesh 5 Pondicherry	1 No overlap with other Beams
4	Western Beam	1 Almost whole of Maharashtra 2 Better part of Gujarat 3 Part of Rajasthan 4 Western MP 5 A fringe of AP and Karnataka	1 Goa not covered 2 Significant overlap with Northern Beam (in Rajasthan and MP) 3 Marginal overlap with Eastern Beam (in MP and Maharashtra).
5	Northern Beam	1 Delhi 2 Western UP 3 Part of Punab and HP 4 Parts of Haryana	1 J and K not covered 2 Substantial overlap with Eastern Beam and Western Beam 3 Spillover to China and Nepal

Note: The expected coverage of each spot beam is figured out from the map given in the "Report of the Seminar on Indian Programme for Space Research and Applications", August 7-12, 1972, published by P D Bhavsar for ISRO. Therefore, the Table is only broadly indicative of state-wise coverage of INSAT system.

Hybrid TV Systems

The word hybrid has two different connotations in the context of TV systems. The conventional connotation is one of satellite technology being combined with terrestrial technology (or airborne technology of slow-moving aircrafts). The other connotation is when satellite is deployed in a dual

role of direct broadcast service and fixed satellite service. It is in this latter sense that the NASA-DAE study of 1967 considered its proposed INSAT system for India to be 'hybrid'. ISRO's current usage of the word implies a hybridisation of the two aforesaid connotations. Thus, INSAT is a hybrid TV system because it envisages the following:

(1) Installation of 150,000 community TV receivers, fitted with front-end converters, that can directly pick up TV programmes beamed by a TV transmitter mounted on a synchronous satellite;

(2) Installation of 200 low-cost limited re-broadcast VHF transmitters, which have capacity to receive TV programmes from the satellite transmitter and rediffuse them in a conventional manner to conventional TV receivers, including 410,000 community TV receivers, within their range of line-of-sight.

(3) Installation of 73 TV transmitters, interconnected with 8,700 kilometres of microwave relays.

The above INSAT proposal emerged out of the Ahmedabad Seminar (August 1972). It is noteworthy that hybridisation of diverse thoughts at the Ahmedabad Seminar had not only led to marriage of satellite technology with microwave technology but also resulted in diminished role of the satellite for direct broadcast to TV sets. More specifically, of the 560,000 community TV sets (presumably one each for all the 560,000 villages in the country) in the system, only 27 per cent were proposed to be augmented with front-end converters. This is in sharp contrast to ISRO's earlier thinking. Thus, K R Rao's persistent pleading that only a small part of the area of the country qualifies for direct reception from satellite were vindicated to a great extent at the Ahmedabad Seminar.[11]

This author is at a loss to figure out what the microwave links are supposed to achieve in the INSAT plan. What kind of regional or national interconnections are created by them? After all, each spot beam provides for carrying one TV programme to all parts of a region covered by the beam area. And satellite is capable of broadcasting one common programme to all parts of India. Maybe, inclusion of microwave links in the fold of the INSAT plan was a compromise solution with AIR and Post and Telegraph engineers who had been opposing satellite-based TV plans for India right from the beginning when the idea was mooted.

The foregoing critique of ISRO's thinking on the deployment of a satellite for TV broadcasting in India clearly brings out the inadequacies and the irrelevance of INSAT TV system for our country. Hence the nullification of its thinking in the wake of WARC recommendations should not distract us from the inherent weaknesses of its thinking right upto the time when the WARC constraints came. In view of the great diversity in language and life style, we must plan for a highly decentralised TV system in which the satellite plays a small role of providing a national hook-up. In such a system the limited rebroadcast transmitters are part of state-level sub-systems; that is, these receive TV signals from the mother or the central TV station of each subsystem, and not from the satellite.

What then is the great point in persisting with the thrice-postponed satellite TV experiment? The futility of half of the experiment — test trial of TV reception by 2,400 community TV receivers fitted with front-end converters and chicken-mesh antennas — is beyond doubt. The investment of about Rs 72 lakhs, with a foreign exchange component of about Rs 5 lakhs, in 2,400 augmentation devices would be a dead loss. And since the test trial is to take place in the UHF band in which ISRO is no longer interested, a successful test trial of satellite technology does not mean anything worthwhile for ISRO's INSAT plan designed in S-band of the radio spectrum. In short, the experiment can be scrapped forthwith, thus saving about Rs 9 crores.

Notes

1 See, (i) "Economics of Television for India", *Economic and Political Weekly*, March 10, 1973; (ii) "Development of TV in India: Retrospect and Prospect", *Economic and Political Weekly*, July 14, 1973.

2 The Draft Report is a bit confusing on the question of the Fourth Plan spillover in respect of broadcasting. At one place the Report mentions an anticipated expenditure of Rs 30 crores against a planned outlay of Rs 40 crores for both TV and radio broadcasting, yielding a total spillover of Rs 10 crores. But at another place it categorically states a figure of Rs 35 crores as the spillover from the Fourth to the Fifth Plan. Even though I know that the Fourth Plan outlay on TV was Rs 14 crores, I cannot figure out what is amiss here. Maybe, this is the side-effect of revising previous outlays to the new base year prices of the new plan. Or, are these tell-tale marks of the protracted battles on the TV question in the Yojana Bhavan? In point of fact, such elements of obfuscation are also noticeable when one encounters television elsewhere in the Draft Report.

3 The total outlay for ISRO's space programme in the Fifth Plan is placed at Rs 172.50 crores in the Draft Report (p 229).

4 A TV transmitter, mounted on a geo-stationary or synchronous satellite, acts as if it is a conventional TV tower of 22,500 miles height. Since the range of a TV tower is in proportion to its height, the area covered by a TV transmitter mounted on a satellite becomes fantastically large.

5 An additional factor causing anxiety to some countries was the intensification of 'electronic imperialism' *via* satellite.

6 In UHF band EIRP per TV channel is not allowed to exceed 49.5 dBW, or power flux density should not exceed the value of —129 dBW/m² for angles of arrival less than 20 degrees. The limit of 49.5 dBW is 5 dBW lower than assumed in ISRO studies prior to WARC decision. This is how WARC upset ISRO's apple cart.

7 Report of the Study Group on Communications 1972, p IV-9.

8 To this cost of the front-end converter has to be added the cost of the parabolic chicken-mesh antenna, which is placed by ISRO at Rs 300 for the UHF band. The Study Group on Communications put the same estimate in the range of Rs 500-750. My apprehension is that the cost of the chicken-mesh antenna (including its cost of installation) may work out to Rs 1000 when actually produced under commercial conditions.

9 Based on discussions with Pramod Kale and S V Deshmukh, both of Space Applications Centre, Ahmedabad, in late November 1973.

10 This hypothesis needs to be distinguished from my earlier conclusion emerging from my Ph D Work. That conclusion too pertains to two exactly comparable alternative TV systems, in which micro-wave relays are juxtaposed against a satellite for providing interconnection among the 16 regional 'mother' TV stations.

11 K R Rao was indeed a member of the ten-member Study Group on Communications whose report was considered at length at the Ahmedabad Seminar. It may be pointed out that Rao carried the other members of his Study Group, in the sense that the Group recommended no more than 50 to 70 thousand augmented TV receivers in the whole system.

Evaluation of Agricultural Development

An Alternative Approach

Ramindar Singh

Frank A Wilson

The main objective of this study is to carry out a benefit/cost analysis of the Intensive Agricultural District Programme (IADP) in Ludhiana district of Punjab state. Its more specific aims are (a) to estimate a benefit/cost ratio for the programme expenditure and (b) to see the effect of the process of adoption on the benefit/cost ratio over the programme period.

The assessment is carried out from the viewpoint of the Punjab government, which is the financing authority.

TO calculate the impact of the Intensive Agricultural District Programme in India at the district level, efforts made so far have been in the direction of comparing the yield rate of crops and application rates of important inputs such as chemical fertilisers with a 'Control Area' selected for each district in the beginning of the programme and with the state as a whole in which each district is situated.[1] Results of all these efforts suggest the partial success of the programme. Despite the fact that the programme has not been able to establish its superiority by showing improved growth rates over other areas, the basic technique of intensive agriculture has been adopted in the Intensive Agricultural Area Programme (IAAP) and the High-Yielding Varieties Programme (HYVP). The main objective of this study was to carry out a benefit/cost analysis of the Intensive Agricultural District Programme (IADP) in Ludhiana district of Punjab State. More specific aims were (a) to estimate a benefit/cost ratio for the programme expenditure and (b) to see the effect of the process of adoption on the benefit/cost ratio over the programme period. The assessment was carried out from the view point of the Punjab government, which is the financing authority. For the purpose of all calculations the district was taken as a single unit.

Methodology

In calculating the benefits directly attributable to the IADP a 'control area' approach has been used. This approach depends for its justification on the assumption that two or more not dissimilar areas in terms of climate, soils, and topography can be identified for comparison. The difference between the actual production in the programme district and the expected production for the same district on the basis of the production trend in the 'control area' (without the development programme) can be considered to be the benefits directly attributable to the development programme.

This approach has the merit of eliminating the effects on production in the programme area due to (a) the changes in the weather; (b) the indirect effects of crop prices on the cropping pattern: and (c) the effects of the normal development programmes.

In the case of IADP Ludhiana, the Control Area contiguous to Ludhiana district was established at the outset of the IADP. This Control Area consists of Moga Block (Ferozepur District), Ahmedgarh Block (Sangrur District) and Chamkaur Sahib Block (Ambala District now Rupar District).

In estimating the benefits and costs, only primary or direct benefits and costs were taken into account.

Direct Benefits and Costs

Primary or direct benefits are defined here as incremental gains that arise directly from the programme, that is the difference between the net value of crop production 'with' and 'without' the programme. To estimate the primary benefits only the output (main products) of crops, that is, wheat, gram, maize, cotton, groundnut and sugarcane is calculated. Most of the by-products of the crops are used at the farm to feed the animals, so their value is not added to the value of the output. To make up for the under-estimate of total value of products, cost of maintenance of bullocks, which provide power, is estimated after excluding the cost of home-grown wheat chaff, groundnut and gram bhusa, maize stalks and cotton seeds.

These costs are divided into two parts: government costs and farmers' costs.

Government costs include expenditure incurred by the Punjab government under the account headed Intensive Agricultural District Programme, Ludhiana. These costs are summarised in Table 1.

Farmers' costs are divided into two parts: (i) current costs of cultivation of crops and (ii) the capital costs of the farmers. Total farmers' costs are summarised in Table 2.

Costs of Cultivation

Cultivation costs of crops have been estimated at constant prices based on 1960-61.[2] Items of cost included in the estimate are: organic and inorganic fertilisers, small tools and implements, power and fuel, seed and seed treatment, plant protection, small farm improvements, land revenue and water charges, artisans, hired labour, purchased foodstuffs for bullocks and interest paid on medium and long-term loans for agricultural production (loans for irrigational facilities, tractors, etc). In the case of inorganic fertilisers only the quantity used for the crops under consideration has been charged,[3] but the prices include an element of interest as almost all the fertilisers consumed were provided through a short-term cooperative or government taccavi.[4] Cost of seed is calculated at a price 15 per cent higher than the price used for the product sales, because seed input is of better quality, needs extra care in storing and is used at a time of the year when the prices are higher than immediately after harvest. Extra cost of the new varieties of seeds used in

Table 1: Expenditure Incurred by the Punjab Government under the Head IADP Ludhiana

Year	Amount (Rupees)
1961-62	675,000
1962-63	1,061,000
1963-64	930,000
1964-65	2,770,000
1965-66	2,800,000
1966-67	676,000
1967-68	1,120,000
1968-69	1,486,000
1969-70	1,648,000
1970-71	1,609,000

Source: Intensive Agricultural District Programme, Annual Programmes, Ludhiana.

the later years of the programme is included. Cost of artisans, small tools and implements, power and fuel, small farm improvements, interest on medium and long-term agricultural loans, farmyard manure purchased and land revenue and water charges paid, has been calculated on the basis of area cropped each year. The cost of labour includes the wages paid (in kind and cash including food provided) to the hired labour and is calculated on the basis of area cropped each year. These costs are summarised in Table A1 and A2 of Appendix A.

In order to reap the benefits from the agricultural development programmes the farmers in Ludhiana district had been making capital investments in the form of creating additional irrigation facilities, buying farm machinery and land improvements. There are no estimates of these investments available. Two ways of arriving at an estimate of these investments were considered:

(a) The number of wells, tube-wells, pumping sets, tractors, carts, ploughs, sugarcane crushers, and bullocks and camels at different times in the district are now available. By putting a price at each item and then multiplying by the increase in its number, the amount of investment can be obtained.

(b) In Ludhiana district medium and long-term loans had always been advanced to the farmers by the government and the co-operative societies in the district. The amount of money advanced for the capital investments would give a measure of the farmers' capital investments.

The first approach was not used due to the non-availability of the prices of individual items of investment and doubts about the accuracy of the number of each item added each year.[5] The annual average figure of capital costs thus comes to Rs 2.61 crores.

In this study the second approach was used. This had the following serious limitations:

(a) It is assumed that the farmer did not make any capital investments or supplemented the borrowed amounts from his savings.

(b) It is assumed that the farmer used the loans for the purpose they were advanced and no part of them was consumed at home.

(c) Farmer did not borrow from any other source for the capital investment.

All the assumptions are brave ones made in the light of inadequate information. The farmers *had* been investing from their own resources (however small), they *had* been borrowing from other sources (money-lenders, friends and relatives) and there is *some* evidence that the loans were misused. However, to some extent the possible underestimate due to the first and third assumptions is likely to be balanced by the possibility of an overestimate due to the second assumption. The annual figures (total amount of loans) obtained by using the second approach (see Table A3 of Appendix A) when compared to the average annual figure obtained by the first approach seems to be gross underestimates. The figures obtained through the second approach were considered to represent annual repayments of total loans (from all sources including relatives, friends and money-lenders) more satisfactorily than to be the farmers total capital costs.[6] These figures are shown as farmers' capital costs in Table 2.

TABLE 2: TOTAL FARMERS' COSTS, LUDHIANA DISTRICT, 1960-61 TO 1970-71

Year	Costs of Cultivation	Capital Costs	Total Costs
1960-61	606.0	—	606.0
1961-62	601.2	56.8	658.0
1962-63	595.7	58.0	653.7
1963-64	757.5	55.8	813.3
1964-65	840.3	86.5	926.8
1965-66	884.4	97.4	981.8
1966-67	928.4	81.1	1009.5
1967-68	1179.7	63.6	1243.3
1968-69	1553.4	21.8	1575.2
1969-70	1562.4	113.5	1675.9
1970-71	1656.2	205.3	1861.5

TABLE 3: VALUE OF CROP PRODUCTION, LUDHIANA DISTRICT, 1960-61 TO 1970-71

Year	Gross Value of Production	Farmers' Costs	Net Value of Production
1960-61	1403.8	606.0	797.8
1961-62	1664.2	658.0	1006.2
1962-63	1403.0	653.7	749.3
1963-64	2112.2	813.3	1298.9
1964-65	2597.4	926.8	1670.6
1965-66	2599.9	981.8	1618.1
1966-67	2923.6	1009.5	1914.1
1967-68	3513.1	1243.3	2269.8
1968-69	3478.0	1575.2	1902.8
1969-70	3749.0	1675.9	2073.1
1970-71	3983.4	1861.5	2121.9

VALUE OF PRODUCTION

Total physical production of each crop was calculated by multiplying the area under the crop by its average district yield rate as derived from the Punjab government crop cutting statistical sample. Physical production has been multiplied by the constant average harvest prices for the years 1960-61 to 1962-63. The results are summarised in Table 3B of Appendix B.

To arrive at the net value of production of the crops the farmers costs of production were subtracted from the gross value of production (Table 3).

To compare the actual production in Ludhiana District since 1960-61 with the expected production for the same period on the basis of the production trend in the control area, an index of the gross value of production for the control area was constructed, taking the 1960-61 crop year as a base.

The gross value of production for each year was obtained by adding together the gross value of individual crops, that is wheat, gram, maize, cotton, groundnut and sugarcane (Appendix B). To obtain the gross value of each crop the average yield rate of the crop was multiplied by the price of the crop (constant average harvest price for 1960-61 through 1962-63) and an area weight (Appendix B).

The expected production figures for the district were obtained on the basis of the gross value of production index numbers for the control area. For example, the index number of production for the year 1961-62 is 101.8 (base 1960-61=100) in the control area and the actual production in Ludhiana for the year 1960-61 is Rs 14.04 crores. The expected production figure for Ludhiana district for the year 1961-62 on the basis of the control area index number would be $\frac{140,380,000 \times 101.8}{100}$ rupees.

TABLE 4: ADDITIONAL NET VALUE OF PRODUCTION, LUDHIANA DISTRICT, (DURING THE IADP PERIOD, 1960-61 TO 1970-71)

(Rs lakhs)

Year	Actual Gross Value of Production	Index Numbers of GVP Control Area	Expected Value of Production with Control Area Index Numbers	Difference between the Actual Gross Production and the Expected Gross Production	Additional Costs of the Farmers over the Year 1960-61	Net Value of Additional Production
1	2	3	4	5	6	7
1960-61	1403.8	100	$\frac{1403.8}{100} \times 100 = 1403.8$	—	—	—
1961-62	1664.2	101.8	$\frac{1403.8}{100} \times 101.8 = 1429.1$	235.1	52.0	183.1
1962-63	1403.0	85.7	$\frac{1403.8}{100} \times 85.7 = 1203.1$	199.9	47.7	152.2
1963-64	2112.2	103.8	$\frac{1403.8}{100} \times 103.8 = 1457.1$	655.1	207.3	447.8
1964-65	2597.4	109.8	$\frac{1403.8}{100} \times 109.8 = 1541.4$	1056.0	329.8	735.2
1965-66	2599.9	111.8	$\frac{1403.8}{100} \times 111.8 = 1569.4$	1030.5	375.8	654.7
1966-67	2923.6	115.6	$\frac{1403.8}{100} \times 115.6 = 1622.8$	1300.8	403.5	897.3
1967-68	3513.1	156.8	$\frac{1403.8}{100} \times 156.8 = 2201.2$	1311.9	837.3	674.6
1968-69	3478.1	127.8	$\frac{1403.8}{100} \times 127.8 = 1794.1$	1683.9	969.2	714.7
1969-70	3749.0	132.3	$\frac{1403.8}{100} \times 132.2 = 1857.2$	1891.8	1069.9	821.8
1970-71	3983.4	118.6	$\frac{1403.8}{100} \times 118.6 = 1664.9$	2318.5	1255.5	1063.0

The expected production figures for the district are calculated for the years 1961-62 to 1970-71 and are summarised in Table 4, Column 4.

To obtain the additional gross value of production, expected gross value of production figures calculated above were subtracted from the actual gross value of production figures for the district (Table 4, Column 5).

To obtain the additional net value of production the farmers' additional costs over the year 1960-61 were subtracted from the gross value of production (Table 4, Column 7).

Additional net value of production for each year was considered to be the programme benefits. The allocation of money made by the Punjab Government, directly under the 'Intensive Agricultural District Programme, Ludhiana' was treated as the programme costs. To arrive at the total benefits and cost figures, annual benefits and cost figures were discounted to the base year 1961-62, first by using a 5 per cent and then a 10 per cent discount rate.[7]

The benefit/cost ratio was obtained by dividing the total 'present value' of the benefits by the total 'present value' of the programme costs. The results are summarised in Table 5.

It is conventional to calculate one benefit/cost ratio using benefits and costs over the entire life of the project. However, one ratio does not reflect the process of adoption of the new technology and thus the change in the benefit/cost ratio over time. To see the difference, if any, in the magnitude of returns in the initial periods of the IADP and in the later years when 'high-yielding varieties' were introduced, annual benefit/cost ratios were calculated. To compute benefit/cost ratio for each year additional net value of production for the year was divided by the money spent under IADP for that year. The results are summarised in Table 5, Column 10.

THE RESULTS

The benefit/cost ratio for the programme using a 5 per cent discount rate is 41.2 and the ratio is 39.6 if a 10 per cent discount rate is used. At both discount rates the benefit/cost ratios are quite high. The benefits of the programme in the form of additional value of crop production created thus appear to justify the direct costs of the programme. It is not however possible at this stage to say whether the IADP has a higher return than the other programmes of agricultural development (CD and NES, IAAP and HYVP) as a similar evaluation of other programmes has not been carried out.

The benefit/cost ratios calculated for each year range from 14.4 in the year 1962-63 to 132.0 in 1966-67. The 1962-63 crop year was particularly bad as crops were damaged by the locust attack in July-August and heavy floods in August-September. The 1966-67 crop year was again exceptional as the programme costs were low due to the budgetary reasons and the production was large due to the introduction of the high-yielding varieties of wheat and

TABLE 5 : SUMMARY OF ADDITIONAL BENEFITS AND COSTS, LUDHIANA DISTRICT, (COMPARED WITH CONTROL AREA)

(Rs lakhs)

Year	Discount Factor 5 Per Cent	Discount Factor 10 Per Cent	Additional Net Value of Production	Discounted Net Value of Production 5 Per Cent	Discounted Net Value of Production 10 Per Cent	Programme Costs	Discounted Programme Costs 5 Per Cent	Discounted Programme Costs 10 Per Cent	Annual Benefit/ Cost Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1961-62	1.000	1.000	183.1	183.1	183.1	6.8	6.8	6.8	27.0
1962-63	0.952	0.909	152.2	144.9	138.3	10.6	10.1	9.7	14.4
1963-64	0.907	0.826	447.8	405.2	369.9	9.3	8.4	7.7	48.1
1964-65	0.864	0.751	735.2	635.2	552.1	27.7	23.9	20.8	26.5
1965-66	0.823	0.683	654.7	538.8	447.2	28.0	23.0	19.1	23.4
1966-67	0.784	0.621	897.3	703.5	557.2	6.8	5.3	4.2	132.0
1967-68	0.746	0.564	674.6	503.3	380.5	11.2	8.4	6.3	60.2
1968-69	0.711	0.513	714.7	508.2	366.6	14.9	10.6	7.6	47.9
1969-70	0.677	0.467	821.8	556.4	383.8	16.5	11.2	7.7	49.9
1970-71	0.645	0.424	1063.0	685.6	450.7	16.1	10.4	6.8	66.1
Total	—	—	—	4865.2	3829.4	—	118.1	96.7	—

$$\text{Benefit Cost Ratio (5 Per Cent Discount Rate)} = \frac{4865.2}{118.1} = 41.2$$

$$\text{Benefit Cost Ratio (10 Per Cent Discount Rate)} = \frac{3829.4}{96.7} = 39.6$$

TABLE 6: SUMMARY OF BENEFITS AND COSTS

(Rs lakhs)

Year	Benefits	Average Benefits 3-Yearly Average	Average Costs	Annual Benefit/ Cost Ratio	Excluding the Additional Production Due to the HYV: Average Benefits (3-yearly average)	Excluding the Additional Production Due to the HYV: Annual Benefit/ Cost Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1961-62	183.1	—	14.8	—	—	—
1962-63	152.2	261.0	14.8	17.6	261.0	17.6
1963-64	447.8	445.1	14.8	30.0	445.1	30.0
1964-65	735.2	612.6	14.8	41.4	612.6	41.4
1965-66	654.7	762.4	14.8	51.5	738.6	49.9
1966-67	897.3	742.2	14.8	50.1	553.5	37.4
1967-68	674.6	762.2	14.8	51.5	285.0	19.2
1968-69	714.7	737.0	14.8	49.5	108.4	7.3
1969-70	821.8	866.5	14.8	57.9	331.2	22.4
1970-71	1063.0	—	14.8	—	—	—

Note: The programme costs are averaged over the whole period of ten years.

maize within the district. If these two exceptional years are ignored the benefit/cost ratios still range from 23.4 in the year 1965-66 to 66.1 in 1970-71. From the benefit/cost ratios for different years (Table 5) it is obvious that there is no definite pattern of change in the ratios over time.

To explain the variations in the annual benefit/cost ratios, we should examine the arithmetic of calculating these ratios first. The magnitude of the ratio varies with the change in the numerator (additional benefits) and the denominator (programme costs). Additional benefits are a function of additional production and the farmers additional costs of production. The benefits in the form of additional production increased as a result of:

(a) programme efforts;
(b) factors external to the programme and
(c) the introduction of the high-yielding varieties of wheat and maize.

The variations due to (b) can be reduced to some extent by taking a three-yearly moving average. The additional benefits due to (c) can be calculated for the year 1966-67 and onwards and on subtracting the value of these benefits from the total value of additional benefits, the expected benefits 'without' these variety improvements can be obtained. Thus two sets of three-yearly average figures for the additional benefits are calculated — 'with' and 'without' the high-yielding varieties (Table 6, Columns 3 and 5).

In the case of the programme costs no specific reasons for annual variations are obvious, so that a moving average is not likely to give satisfactory results. Therefore an annual average cost figure over the entire period of the study (10 years) is calculated (Table 6, Column 4). The benefit/cost ratios obtained by removing the annual fluctuations in the benefits and costs are summarised in Table 6.

The annual benefit/cost ratios, obtained after removing the annual fluctuations in the costs and benefits which are caused by the factors external to the programme, reflect the process of 'adoption'. The results obtained here (Column 5) establish the 'classical'[8] pattern. The benefit/cost ratio increases steadily each year for the first four years and then becomes relatively constant. The results obtained by removing variations due to the high-yielding varieties of wheat and maize (Column 7) indicate that in the absence of these varieties the benefit/cost ratios for the more recent years would have been lower and steadily declining suggesting the setting in of diminishing returns to the programme expenditure. It is interesting to note that in the absence of the high-yielding varieties the additional benefits in the year 1968-69 would have been negative (see Appendix C). The setting in of diminishing returns during the recent years can be partly explained by the fact that the increase in the farmers' costs of production have increased more rapidly than the gross value of production, thus giving a low figure for the net value of production each year.

CONCLUSIONS AND LIMITATIONS

In conclusion, the results of this study can be stated as follows:

(i) A single benefit/cost ratio calculated over the entire period of the study justify the expenditure on the IADP.

(ii) The annual benefit/cost ratios reflect the process of adoption of the new technology and suggest: firstly, that a peak for the returns in the present circumstances was reached as early as 1965-66 and secondly, that diminishing returns would have set in if the high-yielding varieties of wheat and maize were not introduced. These facts are important for the policy-makers when making decisions in favour of the 'intensive agricultural' approach over the more gradual agricultural development approach of the Community Development and National Extension Service programmes.

(iii) The benefit/cost ratio of 27.0 intuitively seems to be quite high for the very first year of the programme (unfortunately, there are no comparative figures available either in India or elsewhere). Part of the explanation lies in the fact that Ludhiana district has had extension education programmes going on since the launching of the first Five-Year Plan. After a few years of extension activities, any new items of technology in this case package of inputs and practice recommended under IADP and the HYV of wheat and maize are more quickly adopted.

(iv) There is a need for more satisfactory methods of evaluating agricultural development programmes than those based on purely technical approach which traditionally concentrated on such indicators as increased use of new inputs and the increase in the yield rate of crops.

The limitations of this study, only three of which are specified below, must be kept in mind in interpreting the results:

(a) It is assumed that the development activities under the normal development programmes were carried out at the same level in the district as in the 'control area'. There is some evidence available that the expenditure on the activities under the normal programmes were increased in Ludhiana district.

(b) During the programme period the intensity of cropping (index of multiple cropping) went up from 126 per cent in the base year to 149.2 per cent in the year 1968-69 mainly due to the large increase in irrigational facilities. A shift in the croping pattern from low value crops (wheat and gram mixture and gram) to high value crops (wheat and groundnuts) has also increased the value of production. Since 1964-65 the output/input ratio has been in favour of the farmer, thus indirectly pushing up the acreage planted and therefore, total output.[9] Attributing the effects of such factors as these to the extension programme only must be open to question. Although the use of a 'control area technique' is expected to eliminate the effects of weather and price changes on production the development of agricultural infrastructure such as irrigation facilities, and co-operatives for the supply of inputs and credit enables the farmers in the programme area to cope better in adverse circumstances and unfavourable weather situations. Liberal supply of scarce inputs enables the farmers to benefit more in a favourable price situation than the 'control area' farmers.

(c) The selection of a suitable control area is very difficult in itself. In the case of IADP the control area has been selected very carefully on the basis of surveys conducted for this special purpose. But still in the case of

Appendix A

TABLE A1 : COSTS OF CULTIVATION

	Quantity Per Hectare (Kg)	Cost Per Hectare (Rs)
Seed		
Wheat	92.6	38.00
Gram	37	21.50
Maize	21	6.10
Groundnut	98	100.00
Cotton Desi	12.3	17.00
Cotton American	19.8	17.00
Sugarcane	8000	450.00
Mexican Wheat	74.10	135.85
Hybrid Maize	16	51.87
Fertilisers		
Nitrogenous (Rs/Tonne) 330		
Phosphatic (Rs/Tonne) 300		
Potash (Rs/Tonne) 450		
Farm Yard Manure (Rs/Tonne) 5		3.70
Small Implements (Rs/hectare)		12.35
Artisans (Rs/hectare)		12.35
Land Revenue and Water Charges (Rs/hectare)		10.00
Fuel and Power (Rs/hectare)		7.40
Land Improvements (Rs/hectare)		5.00
Interest on Loans (Rs/hectare)		2.50
Bullock Labour (Rs/hectare)		27.00
Hired Labour (Rs/hectare)		74.00
Seed Treatment Rs 8.00 per Tonne Treated		
Plant Protection Rs 24.00 per Hectare Sprayed		

Extra Cost of HY Varieties	Casual Labour* (Rs per hectare)	Irrigation* (Rs per hectare)	Seed (Rs per hectare)
Wheat	9.00	7.70	97.85
Maize	9.00	3.80	45.77

* 3.7 human labour days at the wage rate of Rs 2.40 per day. For wheat irrigation 77 units and for maize 38.5 units of electricity at the rate of Rs 0.10 per unit.

Appendix A

TABLE A2: COSTS OF CULTIVATION OF CROPS, 1960-61 TO 1970-71

(Rs lakhs)

Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Nitrogenous fertilisers	16.40	35.68	45.31	56.43	101.21	136.58	150.50	177.28	315.97	311.58	361.68
Phosphatic fertilisers	1.02	5.70	7.04	17.10	25.53	20.70	22.75	77.80	120.01	123.16	177.00
Potash fertilisers	0.16	0.15	0.11	0.14	0.90	1.46	1.61	5.16	15.57	8.29	9.71
Seed treatment	68.75	0.3	0.20	0.20	0.09	0.08	0.39	—	—	2.75	2.77
Plant protection		29.06	48.32	37.33	37.33	39.85	28.41	68.40	65.84	40.08	42.24
Seed	109.68	113.19	106.93	147.84	155.80	163.23	174.14	175.74	198.76	208.14	198.32
HYV * Maize	—	—	—	—	—	—	3.00	4.64	7.91	5.86	5.86
Wheat	—	—	—	—	—	—	8.35	113.62	213.72	226.81	229.10
Other costs	409.94	417.43	387.96	498.50	519.45	522.47	538.80	557.05	615.60	635.72	629.54
Total	605.95	601.25	595.68	757.54	840.31	884.37	928.46	1179.68	1553.39	1562.38	1656.22

*These costs include only the additional costs of seed, irrigations and hired labour. Additional costs of fertilisers are included in the figures for various fertilisers.

Appendix A

TABLE A3: AMOUNT OF THE LOANS ADVANCED BY THE CO-OPERATIVES AND THE GOVERNMENT IN LUDHIANA DISTRICT FOR THE PURPOSE OF MINOR IRRIGATION AND THE PURCHASE OF MACHINERY

(Rs lakhs)

Type of Loans	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Government medium and long-term loans for tractors	1.15	4.45	—	10.60	15.00	—	—	—	—	—
Co-operative medium and-long term loans for tractors and tube-wells	32.52	32.30	41.85	51.98	62.39	61.33	27.14	199.34	108.34	204.04
Minor irrigation government loans	23.15	21.20	14.00	23.93	20.00	19.76	36.42	18.55	5.20	1.25
Total	56.82	57.95	55.85	86.51	97.39	81.09	63.56	217.89	113.54	205.29

Source: Intensive Agricultural District Programme, Ludhiana (Punjab), and "Role and Achievements of Co-operatives in IADP Ludhiana", (unpublished).

Ludhiana district the 'control area' was better placed in respect of consolidation of land holdings, irrigation facilities, rural electrification and improved approach roads.

Appendix B

The figures regarding the area under each crop in the Control Area were not available. To construct an index of production for the control area, area weights were thus calculated on the basis of the cropping pattern in Ludhiana district. This implies that the changes in the cropping pattern in the control area was in the same direction as in Ludhiana district. To justify this assumption changes in the cropping pattern for the whole of the Punjab state were examined. The changes in the cropping pattern for the Punjab state were found to be in the same direction over time as in the district of Ludhiana. The area under wheat, maize, sugarcane and groundnut was continuously increasing and area under gram and cotton was on the decline.

Two different sets of area weights were calculated, one for the period 1960-61 to 1965-66 and the second for the period 1966-67 to 1970-71. The reason behind using different weights for these periods is that the production estimate in the earlier years is not unduly pushed up by the significant changes in the cropping pattern in the recent years. During the period 1960-61 to 1965-66 the area under wheat, maize and groundnut increased at an annual average of 2, 4.4, and 13.4 percentage points, respectively. Area under the same crops increased 10.7, 8.2 and 19.3 percentage points annually during the period 1966-67 to 1968-69. The area weights for the first set were calculated on the basis of average area under each crop for the years 1960-61 and 1965-66 and the second set on the basis of average area under each crop for the years 1965-66 and 1968-69.

Appendix B

TABLE B1: CALCULATION OF AREA WEIGHTS FOR THE CONTROL AREA

Crop	1960-61 (Thousand Hectares)	1965-66 (Thousand Hectares)	1968-69 (Thousand Hectares)	Average (2+3) / (2)	Average (3+4) / (2)	Area 1960-61 to 1965-66	Weights 1966-67 to 1970-71
1	2	3	4	5	6	7	8
Wheat	113.0	151.8	213.0	132.4	182.4	43.9	49.5
Gram	51.0	27.9	6.9	39.5	17.4	13.1	5.0
Maize	38.9	53.9	70.0	46.4	62.0	15.4	16.9
Groundnut	27.1	53.9	80.2	40.5	67.0	13.4	18.3
Sugarcane	9.7	16.2	13.0	12.9	14.6	4.1	4.1
Cotton	25.9	34.9	8.2	30.4	21.6	10.1	6.2
Total						100.0	100.0

Appendix B

TABLE B2: GROSS VALUE OF PRODUCTION, CONTROL AREA

(Rs)

Crop	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Wheat	29646	31364	27018	28417	35862	33840	40607	54966	48261	47671	42389
Gram	5569	5773	4903	4674	6828	4306	1697	2291	1302	1172	1608
Maize	7948	10129	6155	9450	6010	12164	7658	10637	11615	11400	7395
Cotton	2141	2569	1199	2654	1969	2569	1209	2618	2880	2691	2801
Groundnut	9221	6956	7603	12375	9868	9221	14470	18999	7622	10516	10946
Sugarcane	6633	5443	5533	5786	6561	6236	5046	6326	6326	7463	7414
Total	61158	62234	52411	63366	67098	68335	70687	95837	78006	80913	72553
Index Numbers 1960-61=100	100	101.8	85.7	103.8	109.8	111.8	115.6	156.8	127.8	132.3	118.6

Note: Gross value of each crop is computed in this way: Yield Rate × Area Weight × Price

Appendix B

TABLE B3: GROSS VALUE OF CROP PRODUCTION, 1960-61 TO 1970-71

(Rs lakhs)

Crop	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Wheat	643.23	682.22	721.20	1033.07	1294.27	1091.55	1547.66	2058.35	2186.99	2682.06	2843.22
Gram	208.26	215.98	96.41	123.42	173.55	77.13	69.42	57.85	23.14	18.98	26.57
Maize	175.85	262.18	153.47	262.18	230.21	428.45	374.10	508.38	473.21	541.28	541.28
Groundnut	153.31	159.45	183.88	246.53	480.79	483.24	513.29	551.93	478.34	295.16	356.12
Cotton	53.41	188.08	114.07	247.07	172.93	242.62	178.89	140.09	106.49	53.24	57.99
Sugarcane	169.72	156.32	133.99	209.92	245.65	276.91	240.29	196.52	209.91	158.25	158.25
Total	1403.80	1664.23	1403.03	2122.21	2597.40	2599.91	2923.64	3513.12	3478.10	3748.97	3983.43

Notes

[The results and the calculations contained in this paper are based on the basic data collected for a research study "The Economic Evaluation of an Agricultural Development Programme — A Case Study of Ludhiana District, Punjab State, India" by Ramindar Singh.]

1 Among the major reports to adopt this approach are the First, Second and Third Reports published by the Expert Committee on Assessment and Evaluation, Ministry of Food, Agriculture, Community Development and Co-operation (Department of Agriculture), New Delhi established under the Intensive Agricultural District Programme. Some of the individual studies are:

(a) D K Desai, "Intensive Agricultural District Programme Analysis of Results", *Economic and Political Weekly*, June 28, 1969 pp A83-90.

(b) D Dorris Brown, "The Intensive Agricultural District Programme and Agricultural Development in Punjab", Economic Development Report No 79, Development Advisory Service, (Cambridge, Mass, Centre for International Affairs, *Harvard University*).

(c) C H H Rao, "Intensive Agricultural District Programme — an Appraisal", *The Economic Weekly*, November 28, 1964, pp 1887-1891.

(d) C A Robertson, *et al*, "The Package Programme — An Appraisal I", *Economic and Political Weekly*, August 27, 1966, pp 79-85.

All these studies are based on the data published in the three reports of the Expert Committee on Assessment and Evaluation and collected through the Benchmark and Assessment Surveys and Operational and Analytical Research units.

2 In the case of inputs for which the cost is calculated on the basis of area cropped, prices are not available for the year 1960-61 and cultivation costs estimated in (a) Benchmark and Assessment Survey, Intensive Agricultural District Programme, "Study of Agro-Economic Conditions of Cultivators of IADP Ludhiana conducted during 1963-64", (Ludhiana, April 1965); and (b) Benchmark and Assessment Survey, IADP, "Assessment and Evaluation of IADP Ludhiana", 1960-61 to 1965-66, Ludhiana", September 1966, have been arbitrarily adjusted downward for use in this study. In making the adjustment cultivation costs estimated for different crops in (a) Ajaib Singh, *et al*, "Studies in the Economics of Farm Management in the Punjab, Combined Report (1954-55 — 1956-57)", (Delhi, Government of India Press, 1963); and (b) The Board of Economic Enquiry Punjab (India), "Cost of Production of Crops in the Punjab for the Years 1951-52 to 1955-57", (Punjab Government); were kept in mind. Estimates are not likely to be on the high side as the prices of inputs have been more or less constant up to the year 1964-65. (Expert Committee on Assessment and Evaluation, Third Report, *op cit*, p 2.)

3 Expert Committee on Assessment and Evaluation, Second Report, *op cit*, p 219.

4 Operational and Analytical Research, IADP "Income-Expenditure Structure, Capital Formation and Production Credit Requirements of Farm Households", Ludhiana, October 1966, p 26.

5 Farmers Capital Investment in Ludhiana District Each Year Since 1961-62:

Item	Average Number Added Each Year	Approximate Price Per Item (Rs)	Total Value (Rs lakhs)
Tractors	466	25,000	117
Pumping sets	2800	3,000	84
Tube-wells	1263	3,000	38
Carts	1441	1,500	22
Total			261

Appendix C

ADDITIONAL NET VALUE OF PRODUCTION, LUDHIANA DISTRICT, WITHOUT HIGH-YIELDING VARIETIES; 1966-67 TO 1970-71

(Rs lakhs)

Year	Additional Gross Value of Production of HYV	Additional Cost of Production of HYV	Additional Net Value of Production of HYV	Total Additional Net Value of Production with HYV	Additional Net Value of Production without HYV (5—4)
1	2	3	4	5	6
1966-67	89.0	27.5	71.5	897.3	825.8
1967-68	714.3	219.7	494.6	674.6	180.0
1968-69	1379.4	514.4	865.0	714.7	—150.3
1969-70	1042.8	517.0	525.8	821.8	296.0
1970-71	839.4	624.6	214.8	1063.0	848.2

6 This issue was discussed with the officials at the IADP office Ludhiana in 1970. They confirmed the view that the government and Co-operative loans form only a part of the credit advanced to farmers. The amount borrowed from other sources such as friends, relatives and money-lenders is quite significant too but unfortunately no reliable figures are available.

The discount rates used in this study are to some extent arbitrary. A 5 per cent rate of interest has been used as a low rate and 10 per cent rate of interest as a high rate. These rates have been used in India to evaluate the major irrigation projects by the Programme Evaluation Organisation, (Planning Commission, Government of India), in "Evaluation of Major Irrigation Projects — Some Case Studies", Government of India Press, (New Delhi, 1965). Unfortunately no no reasons for the choice of 5 per cent and 10 per cent discount rates are given in the book.

In Pakistan a 4 per cent discount rate is used for evaluating irrigation projects, which is the interest rate charged by the international lending agencies. This is considered a low rate and rates up to 10 per cent and even higher are recommended because the opportunity cost of the capital in Pakistan is considered to be higher (see I D Carruthers, "Irrigation Development Planning — Aspects of Pakistan Experience", Agrarian Development Report Number 2, Wye College, University of London, 1968, pp 55-6, and W Eric Gustafson, "Introduction to Cost Benefit Analysis", Chapter 3 of "Cost-Benefit Analysis", (ed) A T Khan, National Institute of Public Administration, Lahore, Pakistan, pp 21-22).

8 Classically, in the case of an extension programme, the benefit/cost ratio is expected to rise gradually over time as more and more farmers participate in the programme, recommended inputs and practices are fully adopted and the extension staff is able to devote more time to help the farmer. In the early years of the programme extension staff have to develop an understanding of the particular circumstances of the area and the farming community before any pay-off is apparent.

9 Expert Committee on Assessment and Evaluation, Third Report *op cit*, p 2 and Walter, P F and Gotch, C H, "Agricultural Policy and Performance in the Punjab — A Comparative Study of India and Pakistan", Economic Development Report Number 96, (Cambridge, Mass, Harvard University, May 1968) p 25.

Krishna Steel

KRISHNA STEEL has set up its own billet making plant at the MIDC industrial estate off Thana Belapur Road in Maharashtra. The Rs 3.5-crore project comprises a steel melting shop and a billet rolling mill. Two 15-tonne electric arc furnaces will produce steel upto 50,000 tonnes a year and triple the company's present production of wire rods. The company started its career in 1950 by acquiring a steel re-rolling mill at Wadala in Bombay and put up an electric arc furnace and a steel foundry in the following year. Production was raised from 100 tonnes of bars and rods and 50 tonnes of castings per month to 5,000 tonnes and 350 tonnes per month, respectively, by continued modernisation and indigenous improvisation. Today the production capacity of the mill is about 1 lakh tonnes per annum. A Kocks continuous wire-rod rolling mill was commissioned in 1962. An indigenous twisted steel bar for concrete reinforcing was developed in 1970.

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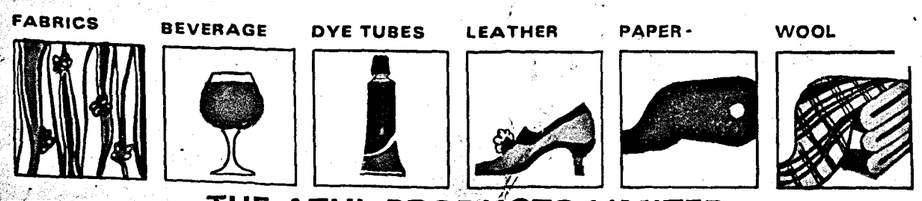
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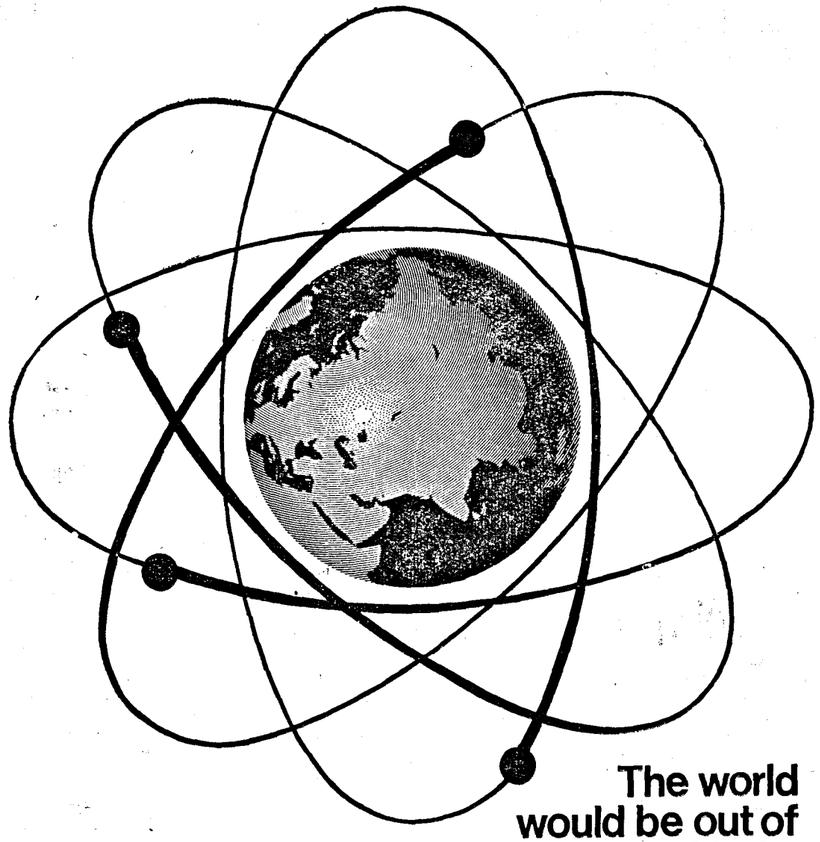
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Railway Strike

THERE is an air of unreality about the negotiations now going on between the leaders of railway workers and the Railway Ministry. Both sides have reiterated their anxiety to avert the threatened strike of railway workers; yet neither side seems to know how precisely this can be done. This is not because there is no room for compromise on the specific demands in support of which the strike has been mooted. The real reason is that neither side really enjoys the confidence of the railway workers who have good reason to suspect the *bona fides* of both.

For the All-India Railwaymen's Federation (AIRF), presided over by George Fernandes, the strike is primarily a manoeuvre, which has been forced upon it, to salvage its position among the railway workers. Over the years, the AIRF, as well as the National Federation of Indian Railwaymen (NFIR), the other recognised all-India body of railway workers, have paid scant attention to the problems of workers and have instead concentrated on building up a cosy relationship with the railway authorities with a view to securing all manner of privileges for their office-bearers at different levels. The government, for its part, has willingly co-operated with the AIRF and the NFIR which have been objects of the Railway Ministry's unstinted patronage. It is this persistent neglect of the workers' interests by the so-called recognised unions which has been responsible for the rapid emergence in the last few years of the category-wise unions as well as for large bodies of workers disaffiliating themselves from the AIRF.

Against this established pattern of management-labour relations, the activities of some of the newer unions have been very inconvenient to both the Railway Ministry and the recognised unions. The railway management has responded to this situation by taking recourse to deviousness and deception which has further lost it the confidence of the workers. The two federations of workers, and the AIRF particularly, have suffered the same fate because of their inability or unwillingness to protest against such actions of the railway authorities.

The 25-day strike of locomotive staff in July-August last year — organised by the All-India Locomotive Running Staff Association (AILRSA), among the best organised and most militant of the category-wise unions — was an excellent case in point. The strike was called off by the AILRSA after the railway authorities had signed an agreement containing specific assurances on the workers' demands. However, as soon as the agreement was signed, the Railway Ministry, with the help of the two recognised federations, set about sabotaging it. Under the terms of the agreement an *ad hoc* committee, headed by the Deputy Minister for Railways, was constituted to examine the locomen's demands, most important among them being the reduction of working hours from 14 to 10. It was specifically agreed that the manner in which the duty hours were to be reduced to 10 would be discussed by the committee and the details settled within six weeks. However, the first few meetings of the committee were enough to show that the government had no intention of settling any of the issues through the deliberations of the committee. The committee soon died a quiet death and the railway authorities have stuck to their own schedule for introduction of the shorter working hours for the locomotive staff.

Not only did the government go back on its undertaking to negotiate with the locomen on their substantive demands, but even routine assurances given to them about withdrawal of charges against those arrested in connection with the strikes in July-August and later in December were not implemented. As late as four-and-a-half months after the first strike, the AILRSA president had disclosed that there were still 200 cases pending against locomen under the DIR; in addition, more than 1,000 workers had been departmentally charge-sheeted and about 20 had been actually removed from service. A three-member committee, consisting of the Chief Labour Commissioner and a representative each of workers and management, has at last been constituted to look into the cases in respect of which the Railway Minister's assurances given way back in August last year have not yet been implemented.

The Railway Ministry's approach to the present threatened strike by the railway workers has been equally casual. It has taken shelter behind the plea that the workers' demands would impose a stupendous burden of Rs 400-500 crores which, it has been argued, the railways cannot bear given the parlous state of their finances. It is true that, despite repeated fare and freight rate hikes, the finances of the railways are in shambles. This is the outcome of poor management, corruption at the highest levels and lack of

medium- and long-term planning by the Railway Ministry and the all-powerful Railway Board. The Railway Minister, who is so concerned about the consequences of the workers' demands for the railways' economic health, has done nothing about these fundamental causes of the economic malaise in the railways.

It is typical of the Railway Ministry's approach that, among all the demands of the workers, the Railway Minister should have made a great show of accepting the one for supply of foodgrains through fair price shops to railway workers earning less than Rs 300 per month. No details of the scheme — such as the prices at which the supplies are to be made or the arrangements for making the foodgrains available to railway workers in far-flung places — have been disclosed. No doubt, the Railway Minister is counting on the fact that by the time these details can be worked out, he will be able to quietly forget about the scheme.

The government, it is clear, is not serious about discussing the railway workers' demands. Instead, it is preoccupied with building up public opinion against the strike through the large-scale cancellation of major passenger train services on the specious plea of conserving the railways' coal stocks and accelerating the movement of foodgrains, coal and other industrial raw materials so that the impact of the strike on the economy is minimised. One may be sure that when the information is available it will be seen that no significant acceleration of the movement of essential goods actually took place during this period. Should the strike materialise, the government will no doubt meet it with the familiar strong-arm methods. Already a number of railway workers have been arrested under the various preventive detention laws. It can be counted on to take the opportunity to crack down on the more inconvenient elements among the workers, especially in the independent unions such as the AILRSA. Yet nothing could be more calculated to further alienate labour in the railways.

Exchange Reserves

Costly Loyalty

DESPITE authoritative reassurances tha 1929-type world financial crises are a thing of the past — or that there is no prospect of one occurring in the immediate future at any rate — some of the major economic indicators point to some pretty grim developments. The UK, whose currency is next in importance to the dollar as a reserve currency and whose capital is still the most important world financial market, appears to be headed for a financial crisis of very serious proportions.

Britain has been plagued by staggering current account deficits almost since the beginning of 1972. The deficit was less than $ 1 billion in the first half of 1973; it was around this level in the third quarter of 1973 and in the last quarter it was almost equal to that of the entire preceding nine months. Hopes of an early improvement in the UK's external position vanished with the steep rise in the petroleum import bill in the current year. During the last three months alone, the current account deficit has amounted to around $ 2.4 billion, or well over two-thirds the total deficit in the whole of 1973. The monthly current account deficit has been rising continually from £ 185 million in November 1973 to £ 371 million in March 1974, the worst in the UK's history.

Forecasts made by bodies like the National Institute of Economic and Social Research (NIESR) or the OECD about the UK's balance of payments position in the 1974 are unanimously gloomy. According to the NIESR, for instance, the UK would be faced with a balance of payments deficit of anything between $ 5 billion and $ 7 billion in the first half of 1974 and about $ 7.5 billion and $ 11 billion in the whole of 1974. According to the OECD, which is generally very conservative in its forecasts about its member-countries' economies, the UK will have a current account deficit of about $ 8.4 billion this year. The latest indicators, however, suggest that the UK's deficit this year will be close to $ 10 billion and since its reserves are currently about $ 6 billion only, it will be forced to borrow substantially on the world markets. Because of the pound sterling's role as a reserve currency, the UK will have to maintain its foreign exchange reserves around the current level to meet any contingent demand arising from holders of sterling reserves switching to other currencies; it will also have to maintain minimum working balances, especially to finance its official repayment liabilities as and when they fall due.

The UK government appears to be fully aware of the balance of payments prospect facing it and has got ready a phased programme for borrowing. Sometime ago it announced that it intended to borrow enough funds abroad this year to meet the deficit on account of oil imports and to cover at least a part of its non-oil deficit. The oil deficit is estimated at over $ 4 billion and so the UK is likely to borrow at least around $ 5 billion. However, according to OECD estimates, the UK would have to borrow this year at least three times the $ 3 billion it borrowed in 1973 through various public sector undertakings — that is, about $ 9 billion — to finance its balance of payments deficit.

The UK can hope to get around $ 2 billion as standby credit from the IMF, provided it approaches the IMF in time. Because of the global nature of the present crisis, the IMF faces a rush on it for financial accommodation and, despite all its efforts to raise additional resources from the oil exporting countries, the funds at the disposal of the IMF will fall far short of the demands on it, as the queue of intending borrowers lengthens. Italy has already obtained $ 1.2 billion under the standby arrangements and some more requests for help are currently being processed by the IMF.

Even after it has got all it can from the IMF, the UK will still have to look to other sources for another $ 7-8 billion. Until recently the Eurocurrency markets were believed to be assured sources of supply of funds, though at high cost — the interest rates being 10-11 per cent for maturity periods upto 10 years. But the situation has changed drastically since the beginning of this month. Eurobankers are reported to be developing cold feet while lending to public sector undertakings and state authorities of even the developed countries which are in balance of payments difficulties. A case in point is Italy, which had borrowed heavily on the Euromarket last year. Italy was hoping to raise $ 4 billion this year in the Euromarket but a recent issue of $ 700 million was finally shored up only after great pursuasion by 110 participants out of some 400 bankers in all who had been approached. Italy, like the UK, is likely to have a stupendous trade deficit of about $ 10 billion this year.

The UK has, in addition, the sword of large sterling balances, which far exceed its total foreign exchange holdings, hanging over it. The sterling guarantee agreement as it operated upto the end of the last month did act as a sop to large holders of sterling; even so, some of them decided to opt out of the guarantee last year. The revised guarantee which is linked to a dubious index of 'effective exchange

rate' of sterling is unlikely to prove as attractive as the earlier dollar value guarantees. If the 'effective exchange rate' of sterling as computed by the Bank of England in the past is any indicator, holders of sterling will not be entitled to any compensation whatever may happen to the sterling's exchange rate on the markets. If in view of this, large holders of sterling begin to move out of sterling into other safer currencies like the German mark or the US dollar, the fat will be really in the fire.

The pound will then sink like a stone and faithful holders of sterling, such as India, will face a large capital loss on their reserves. It needs to be recalled in this context that while the rest of the world prepared itself well in advance for the sterling devaluation of 1967 by moving large funds out of London, India loyally suffered a sizeable capital loss by opting to keep its reserves in sterling despite the many warning signals hoisted by the world financial markets in anticipation of the sterling devaluation. Are we preparing for the same kind of debacle once again?

Portugal and Africa

No Quick Solutions

THURSDAY's coup in Portugal is directly related to the protracted fighting which has been going on in its African colonies for 13 years. The coup is a conclusive indication that the guerilla movements, particularly FRELIMO in Mozambique and PAIGC in Guinea (Bissau), have got the upper hand in the fighting. No colonial army seeks political compromises unless its will to continue fighting is finally broken. This now appears to have happened to the Portuguese army.

But it is yet to be seen whether there are segments in the armed forces, particularly in the African territories, who still feel that they can win a military victory over the guerilla movements. One of the first decisions of the coup leaders was to dismiss the general commanding Portuguese forces in Mozambique. This perhaps indicates that the coup leaders fear that elements of the armed forces in Africa might band together with white settler elements, especially in Angola which has a well-established European community numbering about 340,000 out of a total population of 5,800,000 (Rhodesia in comparison has 255,000 whites in a population of 5,700,000). In order to forestall any such eventuality the junta in Lisbon will be extremely wary about starting any direct negotiations with the guerilla movements who themselves might prefer to continue the fight rather than negotiate now that they have a firm sign that the Portuguese are cracking up.

It is much more likely that initially the new regime will take only some token measures like bringing more blacks into the local assemblies in the African territories and altering their rubber-stamp character to some extent. The junta would also have to consider the strong feelings of the Rhodesians and South Africans who are not going to look benignly upon any negotiations with the guerillas and who could foment settler revolts against Lisbon. There must of course also be some in the junta who would rather see friendly, nationalist governments established in the African territories rather than full-blown socialist ones which might come to power if the fighting goes on much longer.

The main focus of interest for the next few months will therefore be the manoeuvres within the officer corps of the Portuguese armed forces. If General Spinola, the hero of the coup, has been advocating a political solution to Portugal's overseas liabilities there are others like General Arriaga who have continued to stress that a military solution can still be found to the troubles in Africa. And in a basically conservative force like the Portuguese army those who cannot stomach the thought of compromising with the despised enemy might be thinking in terms of a counter-coup.

Exports

No Long-Term Planning

THE Annual Report of the Ministry of Commerce for 1973-74 begins predictably, with an account of the spectacular performance of exports. It is pointed out that exports in the first nine months of 1973-74 indicate almost a continuation of the previous year's phenomenal growth rate of 22 per cent. There is grudging admission that steep increases in unit values of exports have contributed to the growth of exports. However, the contribution of the depreciation in the value of the rupee in relation to most of the major currencies in inflating the value of exports expressed in rupees is glossed over. Finally, how much reliance can be placed on the DGCIS's export data? The appointment of one committee after another to examine the compilation of export statistics is admission enough of the mess in which these statistics have been for quite a while.

An important organisational innovation in 1973-74 claimed by the Commerce Ministry is the creation of a separate Department of Export Production "to take care of export production, problems of facilitating the augmentation of capacity and for providing the required inputs, expeditious disposal of the applications of export-oriented units for sanctions under various governmental regulations". The Ministry is apparently preparing to take up its lobbying role with other governmental organisations even more seriously than in the past.

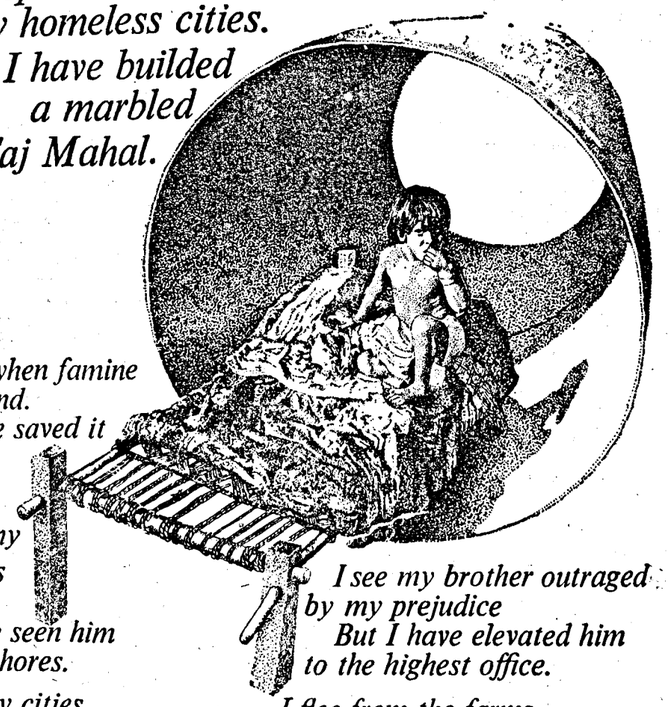
Lobbying has been the main function of the several organisations set up or encouraged by the Commerce Ministry to promote exports, like the export promotion councils and the commodity boards. The failure to generate stable and growing export surpluses in the primary and industrial sectors in the last two decades has forced the Commerce Ministry to try to push up exports of whatever items happen to be available at any moment. The Ministry has apparently yet to appreciate that the 'production' aspect is at least as important as the 'promotion' aspect in raising the rate of growth of exports.

In this context, the decision to do away with the so-called working groups charged with the task of "drawing up concrete export production plans with the assistance of other administrative Ministries concerned in respect of items having maximum export potential" deserves notice. Last year's annual report had mentioned that the working groups had identified about twenty product lines. They were further expected to estimate domestic and foreign demand, identify gaps in existing capacity in regard to ranges, specifications, and quality and plan at the macro and micro levels for creation of sufficient capacity to meet export targets. Despite these paper plans the working groups had achieved very little. But the Commerce Ministry should have tried to improve their working instead of doing away with them altogether.

The chapter of the report on the now-forgotten Export Policy Resolution passed by Parliament in 1970 makes interesting reading. It talks about everything except what the Ministry is doing to implement the Resolution. The discussion ranges generally over production of and demand for a number of commodities like cotton, jute, cashew, tobacco, tea, vegetables and handicrafts without setting out the steps that the Commerce Ministry has

Ours is a magnificent Land-1

I sleep in the sewers
of my homeless cities.
But I have builded
a marbled
Taj Mahal.



I hunger when famine
stalks the land.
But I have saved it
from plague
and pox.

I taught my
child the arts
of Science.
But I have seen him
forsake my shores.

I befoul my cities
because I will not plan.
But I have looked up
and discovered Quasars.

I see food hoarded
while my poor go hungry.
But I have made the
green revolution happen.

I never taught my children
to read nor write nor count.
But I have fathered
Nobel laureates.

I see my brother outraged
by my prejudice
But I have elevated him
to the highest office.

I flee from the farms
to the despair of my cities.
But I have held to the hope
of a hundred million jobs.

I was born to subsist
on a half-Rupee daily.
But I have died so my ashes
can enrich my loved India.

I am sad.
But I am glad.
I am.

Dyes
Plastics
Intermediates
Refrigerants
Chemicals

Ours is a magnificent land. We must
build a magnificent future. Think Ahead.

Hoechst
Dyes & Chemicals
Limited

HOECHST

ALYARS-HDC. 228B

taken or intends to take to improve their export prospects.

The Subcontinent

Weight of the Army

G P writes:

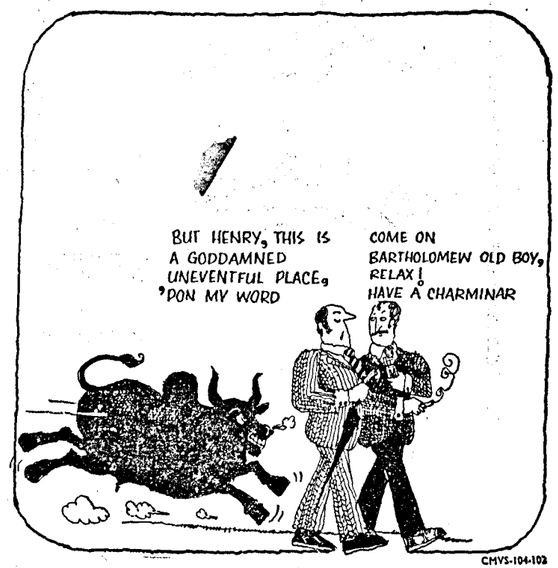
IN the midst of increasing instability and disorder in all the three countries, the tripartite talks between India, Pakistan and Bangladesh must have come as a relief to the politicians and bureaucrats concerned — or at least some of them — who now have something like an achievement to talk about. Besides, the agreement reached among them does alter the picture in the subcontinent. The 195 Pak prisoners of war have got their controversial, but inevitable, clemency. Persons who had been accused of fascist crimes only a couple of years ago have been magnanimously released. Aziz Ahmed, the Pakistani Minister of State for External Affairs and Defence, did apologise in a legal way — befitting the legalist traditions of our lawyer-politicians who have always looked upon Lincoln's Inn with so much pride and veneration. He expressed regret for such crimes "as may have been committed". With his Bangla counterpart in a generous mood he did not have to do more.

What is important to note in Aziz Ahmed's phraseology is his concern for the feelings of the Army. The democratically elected leaders of all the three countries have got to be increasingly careful not to step on their army officers' toes. Ahmed's legalistic apology and Kamal Hossain's acceptance of it, with Swaran Singh officiating as the presiding deity, have demonstrated the new image the Army has in our part of the world. The war crimes issue was not one between the peoples of Pakistan and Bangladesh, but between the Army of Pakistan and the people of Bangladesh. A civilian, democratically-elected regime should have come out with a forthright apology (as Japanese Prime Minister Tanaka did in Peking). Bhutto's government claims to represent the people, and not the armed forces, of Pakistan. The issue was not one of clemency. Statesmanship and the situation demanded that clemency be granted. But it was not necessary to play down what the Pakistani armed forces have done in erstwhile East Pakistan. That Bhutto found it imperative to do so and Kamal Hossain agreed to go along with him on that point brings out how heavy the military brass weighs in Islamabad and presumably in Dacca and New Delhi as well.

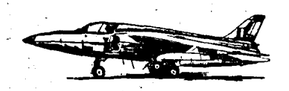
Perhaps this erosion of liberal values is not a matter of great concern to anybody in the subcontinent. Had it been otherwise, Aziz Ahmed's clever apology on behalf of the Army Headquarters in Islamabad would not have gone so completely unnoticed in this country, or for the matter, in Bangladesh. Maybe President Bhutto is not the only one who has to keep his Generals in good humour. This is the reason why the discussion on the agreement has centred more on 'clemency' than on 'apology', forgetting the simple fact that 'clemency' was hardly an issue and that, in any case, by the time the tripartite talks had begun, the issue had already been informally settled. More concretely, Aziz Ahmed's 'apology' has raised a pertinent question: are the honour of the Army and the honour of the people identical? Ahmed's answer to the question seems to be a clever and cautious 'yes'; cautious because the pride that Bhutto takes in being the first popularly elected civilian Prime Minister of Pakistan cannot be hurt. At the same time, he has to carry his army with him. What is interesting is that Sheikh Mujib has so willingly decided to go along too.

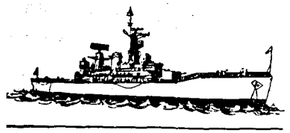
These quibbles over civilian democratic rule and its prestige apart (who is worried about such issues anyway?), the tripartite talks have been a sort of curtain-raiser. One does not know if the full implications of the Pakistan-Bangladesh relationship have been grasped. The agreement provides the first opportunity for Bangladesh to emerge as an international entity in the true sense of the term. No power can be internationally significant unless it has some basic manoeuvrability in the region to which it belongs. The Pakistan-Bangladesh impasse was very naturally against the interests of Bangladesh. It made that country excessively, almost exclusively, dependent on India and the Soviet Union. Now, for the first time, it has established a communication link with another important state of the area. One might as well say that with the tripartite talks in Delhi, Bangladesh foreign policy has made a beginning.

It is imperative that Bangladesh now becomes independent of India. In our liberating zeal we might construe independence to mean hostility to India. It is important to see that this does not happen. Time and again we shall, hereafter, encounter a situation in which the independence of Bangladesh may not be exactly in keeping with our notions of that independence. A part of our problem with Nepal arises from the rather simple fact that we are not quite used to Nepal's sovereignty. It is more than likely that something similar might happen in the case of Bangladesh. Nobody can be sure whether we shall ever have a 'durable peace' to which there were such frequent references during the Delhi talks, in this area. What seems certain, however, is that the peace will be a rather noisy one.



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INDIANOIL

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Calcutta Diary

A M

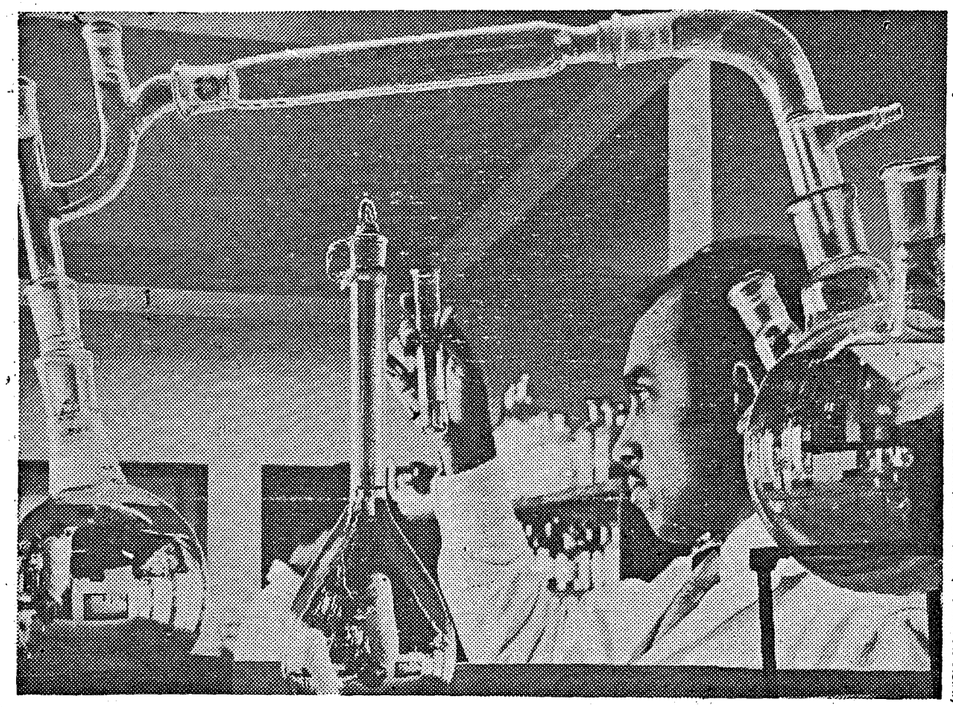
WHAT might have been and what has been point to one end, which is always present. So many passages, which we did not take, lead towards doors we never opened. Elementary lessons in economics were never learned, a hundred opportunities were allowed to waste. In those relatively tranquil years, spanning between 1968 and 1971, voices, here and there, even inside government, had implored, pleaded, almost whined, in order to reach the ears of the political leadership: voices that tried to tell the authorities that if you burn the candle at both ends, once the season of carnivals is over, it will be death. Ironically, other echoes have now begun to inhabit the garden: Of all people, it is the Prime Minister who is talking of the folly of burning the candle at both ends; but alas, she has got the context all wrong.

Do we even dare to commisserate with her? What is the point of following any more the deception of the thrush? A poor country cannot afford a bunch of epicureans at its helm. When there was time, the future was reckoned to be subject to an infinite rate of discount. It was the present, the head-turning present, which mattered. So, never mind what the wretched economists said, subsidise your near and dear ones, this will cause the spread of an ingratiating sweetness all over. Do not tax your near and dear ones. When, year after year, chief ministers, otherwise totally subservient to the Centre, indulged in the luxury of keeping their fiscal deficits uncovered and bullied the Reserve Bank into giving them ways and means accommodation, it was decided, not once but several times, not to reprimand them; even to give them more. The weird principle of offering special accommodation to the states was evolved to serve a narrow, sectarian objective. Other oddities abounded. The talk was in terms of containing the big industrial houses. Some amongst them obviously needed less containing than the others: the Goenkas in Calcutta were all right, the Goenkas in Madras were not. Elaboration of high falutin principles was combined with, for example, the benign tolerance of a Union Cabinet Minister who cheated on his income-tax. Brigandage was encouraged. Politicians who collected the loot were again divided into two groups: Those who handed over, say, ninety-five per cent of the total take and kept only five per cent for their individual pleasures, were the good ones; those who decided to keep back as much as twenty-five per cent or more were bad ones and retribution overtook them.

Consider some of the other realities. Till the middle sixties, good, bad, or indifferent, a beginning was being made to set up a permanent machinery for the public procurement of foodgrains; farmers were being gradually persuaded to appreciate the rationale of a producer levy and to accept implicitly their social obligations. If only the momentum were maintained, it would by now have been easy to procure at least 15 million tonnes of grains every year. That the logic of the public distribution system demands that the price at which the government purchases must be way below the prevailing market prices was on the verge of being generally accepted around 1965-66; that neither traders nor farmers could claim credit for the skyrocketing of prices when the crop failed, was not yet being seriously disputed; that where nearly two-thirds of the average family expenditure consists of the outlay on food the regulation of food prices was crucial for the nation's overall economic health, had a much larger custom then. The perception that what was all right for the American economy need not be all right for the Indian economy was certainly more acute then. In the US, barely 4 per cent of national income originates in agriculture; a programme of subsidy to agriculture, for instance, of the order of 25 per cent of income, would therefore mean only a transfer of 1 per cent of income from elsewhere. In India, by contrast, it would mean the transfer of exactly the same 25 per cent of the income in the other sectors — or about as much as the Union Government collected annually by way of tax revenue. At least some amongst the establishment figures would have the politeness then to listen when you badly wanted to make this particular point. In case one fell into the trap set by the American advisers, infesting Krishi Bhavan, and kept pampering the farmer-trader lobby, the terms of trade would shift so much against industry that industrial savings would altogether dry up: Such warnings had some takers in government then; today there are none. You could have gone on to explain that on the demand side, too, an over-indulgence of the kulak lobby would be fatal; for, if the majority of the population had to use up their income — and sometimes even to dissave — so as to buy the high-priced foodgrains necessary for subsistence, few would have the spare funds for acquiring industrial products. Five years ago, one could have argued along these lines; and one would have been tolerated by this or that minister. Today, the death wish is all-pervading: abandon commonsense all ye who want to enter here. Five years ago, there were many dreamers, even inside government, at least a handful who thought that the banks were being taken over to deny credit to the sharks and the crooks. Today, the sharks and the crooks have turned the tables: it is they who are in effective control of the government, preach from the pulpit, kibitz the Prime Minister, and tell her what to do and what not to do.

You sow as you preach. If you have to commisserate, commisserate with this nation's honest-to-God, trusting masses who have been taken for a ride. The government does not deserve any commisseration. Not one hard decision was ever taken, not one piece of advice was listened to. Stocks of foodgrains were frittered away, and clandestinely and not so clandestinely sold to private merchants. Instead of disciplining the ever-greedy kulaks, one of them was made chairman of the Congress party's *kisan* cell, another one chairman of the National Agricultural Commission. It was government by auction. Official decisions — each one of them — were up for sale to the highest bidder. You want sugar prices to be de-controlled? Pay up. You want this defence contract? Pay up. You want a Tariff Commission report on rayon prices to be killed? Pay up. You want to be saved the bother of a particular proposal for expansion of capacity being referred to the Monopolies and Restrictive Trade Practices Commission? Pay up. You want your unauthorised capacity and output to be winked at? Pay up. Pay to the party, pay to the party's bosses, pay to the intermediaries. If the price is right, the government was up for grabs.

Those who constituted the government scuttled all codes of morality; they scoffed at all norms of social discipline. And, while doing all this, they had the



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gumption to take the holy name of socialism. Now that that most famous law of thermo-dynamics is at work, there is a sham pretence of innocent wonderment, which is sought to be used as a *deus ex machina*. Who are the ones for whom the deception is intended? The so-called progressives notwithstanding the vast multitude, who are without food, clothing, fuel, power, shelter and transport, are bound to give vent to their wrath. And it is too late to warn them of the dangers of fascism. For, the likeliest retort will be that those who lived by fascism will also die by it.

But even these grim moments have their aspects of hilarity. A drowning person will catch at a straw. At the other end, business is business, and a street-walker does not cease her importuning even on a funeral ground. The strawmen engaged in public relations have now assured the government that all its current troubles are on account of a failure of communication. Corruption at the highest levels, runaway inflation, sectarian policy-making, the failure of public distribution, none of these matters — all the authorities have to do is to sub-contract the assignment to the cocktail circuit of public relations experts. They will build for you the solidest phalanx of defence against the spirit of violence now abroad. They will set up committees, work out projects, prepare slides and scripts, and so on. And a miracle will be wrought. Emissaries of the Union Ministry of Information and Broadcasting are currently doing the rounds of the metropolitan cities, confabulating with these miracle men from the world of media. The latter, once they get down to the job, will be able to explain properly to the countrymen the inner significance of the Prime Minister's iterative statement, namely, that the price rise as well as most of our other woes, are because of that thirteen-day war we fought and won with Pakistan in 1971.

At a street-corner meeting in Calcutta the other day, a young brat was heard to remark that the masses of Vietnam are engaged in a war for thirty-three years now, and yet there has been no price rise at all. The Prime Minister may fumble in tackling this one; but let her not even try, let her leave it to the whiz kids of public relations, many of whom are veterans of Madison Avenue. Once they do really get going, trouble will subside, as if in a magic. People might soon even start writing letters to newspapers demanding a minimum rate of price increase of 50 per cent per annum, for the image-builders are bound to succeed in dinning into their ears that the higher is the rate of inflation, the less is your state of misery, and let not their belly bear false witness. But maybe this again is part of the circus which has to fill in while the bread remains missing.

CAPITAL VIEW

No Way to Govern

Romesh Thapar

NOTHING highlights the bankruptcy of the political system as the politicians play it today than the handling of the Bihar events. Whether we are dealing with fascists or non-fascists, the conclusion is inevitable that the leaderships of the various parties are using the political system in the most cynical manner. The style was set by the Congress party and even today it remains a most advanced experimenter in this kind of cynicism. No alternative style is even attempted. The assumption now is that democratic functioning is incapable of variation.

The goings-on in Bihar help us understand the incredible misuse of the political system. The urban revolt against the Ghafoor ministry, organised by 'fascists' or not, did certainly have the effect of shaking the Central leadership out of its over-indulgence in playing corrupt factions and favourites. Soon, the need to reassure Congress 'dissidents' was seen. Ghafoor even consulted with JP about future arrangements. But the 'dissidents' — the quotation marks are necessary for obvious reasons — are only interested in exploiting the political system in the same way as the ruling group in the Bihar Congress.

Old warhorse Jagjivan Ram, openly critical of the way the political tangles are being handled in Bihar and very conscious of the intrigues against him by L N Misra, is unable to put the political racketeers in the dock because he is content to meet racketeering with more or less similar racketeering. Proper weightage in the ministry is sought so that the factional battles can be conducted on a more equal basis. The desire to analyse Bihar's crisis and to organise action for the resolution of the people's problems is very far from the consciousness of a faction-encrusted Congress.

Gujarat, where a more healthy and widespread revolt occurred, is in very much the same plight. The alternative programme or an alternative leadership, is nowhere in sight. Nor is Indira Gandhi apparently concerned with launching the hard work which will have to underpin this effort to revive a dangerously sick Congress party. The obsession with rusty ideas and discredited politicians is extraordinary, and terribly naive. If it persists, it will shatter what little hope still surrounds the much abused and misused political system.

The daily commentary on our present condition is becoming more savage. It reflects the increasing despair over the economic mismanagement of the country and the incapacity of the politician to control the destruction of public property and the sabotage of vital installations. The reluctance at governmental level to decide whether the strike wave is to be confronted or viewed as an inevitable result of delayed decision-making at a time of inflationary price booms creates deep confusion and disrupts the economy because every stoppage has wide repercussions. Without an agreed guideline, it will not be possible to halt the deadly drift.

So cynical and thick-skinned have the politicians of the ruling party become that they are still silent about the crisis which engulfs the country. There is considerable debate and speculation in private, even in secret, but not a word is uttered at any recordable level. There is a fear about expressing the truth. How does one cope with the unreality of such a situation at the very seat of power? The silence, the lack of discussion, even creates confusion where there should be none — as, for instance, on Sheikh Abdullah's future, the perspectives on the presidential election and extensions of

service and retirements in the Indian Army.

True, Indira Gandhi's 'style' has reduced once equal colleagues to servitude or angry frustration. After all, so many of them are holding portfolios for which they are not at all suited. The allocations, it is alleged, have been made deliberately — yes, that's the conclusion of so many seasoned observers of the scene who show conclusively how a change of 'seats' could transform the Union government's performance. When one takes a look at some of the incumbents and the jobs they are expected to do, the charge sticks. This is serious in terms of the political credibility which the Prime Minister has to establish among the thinking elements of this country. The explosive tensions which are building all over the land are autonomous of political personalities and their manipulations. The tensions can only be lessened by intelligent, sensitive government which is conscious of where the septic foci are. If there is anything which unites the people today, particularly at the urban level, and maybe at the rural level too, it is that the present way is no way to govern. At this moment, the feeling is philosophical, critical, but expectant of change. Mass psychology is such that it can be pushed to say: enough is enough. And then the fat will be in the fire.

The summer of Indian discontent is going to throw up a series of events which only the fool would attempt to forecast. But, if certain surface signs are to be taken seriously, maybe we will see both the USA and the USSR joining hands for 'Operation Salvage'. Feeling sick? So am I, but it may well be a privileged reaction in the context of the developing situation.

April 22

COMPANIES

Curdled Milk

Hansavivek

HINDUSTAN LEVER proposes to sell its undertaking for the manufacture of dairy products, situated at Etah in UP, to Polson for Rs 70 lakhs. It is stated that the viability of the dairy business has been eroded owing to the high cost of milk and other essential ingredients, which has not been adequately reflected in the controlled price of baby food. The other products from the dairy do not compensate this loss. The funds thus released are intended to be utilised for the programme of growth and diversification of the company's business. 'Letters of intent' have been received by the company for an industrial phosphates project and for expansion of capacity for synthetic detergents. Both the projects are in the core sector and will be located in 'backward' areas. Subject to satisfactory arrangements being made, these projects will involve an increase in Indian participation in the company's capital, over 85 per cent of which is at present owned by Unilever of UK. The company intends to intensify its research and development activity in animal nutrition. Last year the company spent Rs 90 lakhs on research and development. Exports at Rs 6.7 crores were lower than in 1972, partly owing to congestion in the docks towards the year-end, although exports of chemical-based detergent products to the USSR were higher. HL's sales and profits during 1973 were lower compared to the previous year. Gross profit has been arrived at after providing Rs 24 lakhs for the net incremental liability for gratuity for the year. A further sum of Rs 92 lakhs, representing the net incremental liability for 1972, has been charged to profit and loss appropriation account.

The management complains that shortage of raw materials and packaging, coupled with general inflation imposed a severe strain on the company. The outlook for the current year is also described as uncertain since, it is stated, many of the supplying industries face severe cut-backs in production. Production of soap was restricted last year on account of shortage of soap-making oils and a sharp rise in all elements of cost. Revision in soap prices in mid-year was "much overdue" and enabled restoration of production levels only temporarily. Efforts to increase production of synthetic detergents received a setback at the end of the year when a strike in the factory of the sole supplier of a vital ingredient interfered with output. Shortage of indigenous and imported oils resulted in lower vanaspati production. Fall in production of soap and vanaspati and increasing proportion of non-traditional soap-making oils with a lower glycerol content resulted in lower recovery of glycerine and lower production of catalyst. Cattle-feed sales were, however, substantially higher than in 1972. The auditors were paid, in addition to audit fees of Rs 1,40,000, Rs 26,000 by way of consultancy fees, Rs 23,375 as fees for other services and Rs 25,192 for out of pocket expenses. Dividend has been stepped up 2 points to 16 per cent, but at the cost of the earnings-cover. The company has not yet been able to secure consent of the Controller of Capital Issues for issue of bonus shares on a one-for-six basis. Shareholders' approval is now being sought to vary, if necessary, the proportion of the proposed issue of gift shares. The company also intends to undertake manufacture of plant and machinery of various kinds and industrial and scientific instruments.

MODI INDUSTRIES suffered a sharp setback in the year ended October last owing to fall in production on account of a severe power-cut and non-availability of certain raw materials. The company along with three other sister concerns, namely, Modi Spinning, Modipon and Modi Rubber, have acquired an old 20 MW power house in UP, which is being repaired and reconditioned to serve as a captive plant. Electricity produced by this unit will be in addition to the usual supply from UPSEB. The company's electric arc furnaces produced 44,580 tonnes of steel against the installed capacity of 90,000 tonnes. Meanwhile, the expansion programme of one of the steel units is nearing completion. The continuous casting plant, however, is expected to be erected by the end of 1974. A direct reading spectrometer has been erected which will help in production of special steel. One oxygen gas plant has been already commissioned and the other is to commence operation very soon. The company issued 'rights' shares at a premium of Rs 4 per share and also made a public issue at a premium of Rs 6 per share. Among the contingent liabilities not provided for is demand of employer's contribution by ESIC on the production bonus paid to employees of the vanaspati and gas units for the last several years. The company has disputed the liability and the matter is pending before the court. One of the notes appended to the accounts says that Rs 1,84,727, realised on sale of sugar last year in excess of the controlled price, has been kept in suspense in accordance with the interim orders of the High Court and not treated as company's income. The company's contention is that the price of sugar fixed is not in accordance with law. Another note mentions that in 1970-71 the company charged Rs 2,24,666 as interest on money invested in a tyre and tube project and had shown the sum as recoverable from Modi Rubber. On an objection raised by IDBI, the management has now decided to waive the interest.

ATLAS COPCO (INDIA) has been granted a 'carry-on-business' licence for manufacture of 720 compressors per annum and a licence to produce 3,600 rock drills and 780 pusher legs annually — the latter subject to an export stipulation — thereby bringing the licensed capacities in line with the installed capacities in both the cases. Last year the company produced 378 compressors and 3,518 rock drills and pusher legs against 310 and 2,436 respectively in the previous year. The company has also received a 'letter of intent' for the manufacture of tube-well drilling rigs at its factory at Poona. It produced good results for 1973, with higher sales and earnings. Dividend, stepped up by 2.5 per cent to 17.5 per cent, is well covered. The ratio of inventories to sales as also the cost of borrowings increased considerably over the year. The auditors have been paid, apart from the audit fees of Rs 28,000, Rs 7,400 for taxation work, Rs 1,500 for provident fund audit fees, Rs one lakh for handling of share records, Rs 3,548 for out of pocket expenses and Rs 11,700 for 'other remuneration'.

INDIAN VEGETABLE PRODUCTS has shown good results for 1973 as a result of better sales realisation and increased benefits of diversification undertaken during the past few years. Production of vegetable oils and vanaspati was 11,304 tonnes and of miscellaneous chemicals 3,516 tonnes against the previous year's production of 11,047 tonnes and 3,189 tonnes and installed capacities of 30,000 tonnes and 4,800 tonnes, respectively. Higher sales apart, what really pushed up profits was the sizeable widening of margins. The ratio of inventories/sales was also considerably lower compared to the previous year. Dividend, maintained at 17 per cent on the capital enlarged by a two-for-five bonus issue, found a slightly better cover. The management points out that rising prices of chemicals based on the petro-chemical industry and shortage of some other chemicals have clouded the outlook for the current year.

The Week's Companies

(Rs in Lakhs)

	Hind Lever		Modi Industries		Atlas Copco		IVP	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-10-73	Last Year 31-10-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up capital	1445	1445	218	209	80	64	41	29
Reserves	2585	2485	482	335	100	64	35	38
Borrowings	1055	989	651	655	75	75	92	82
of which Term borrowings	282	259	160	145	—	—	—	—
Gross fixed assets	4034	3909	1327	1239	105	97	93	84
Net fixed assets	2658	2654	964	814	46	45	44	38
Investments	8	8	106	66	—	-	1	—
Current liabilities	1326	1428	377	362	178	98	107	65
Current assets	3738	3678	727	756	387	256	230	176
Stocks	2274	2946	266	346	159	102	70	93
Book debts	842	550	208	191	138	90	121	79
Net sales	12433	13053	2841	3173	711	545	565	472
Other income	53	47	42	45	36	19	58	42
Raw material costs	8420	9305	1786	1984	149	111	414	353
Wages	1032	905	210	240	87	67	37	33
Interest	20	20	97	71	29	16	7	7
Gross profit (+)/loss(—)	1064	1096	155	257	126	101	51	27
Depreciation provision	141	127	66	92	10	8	6	5
Tax provision	598	603	40	61	81	68	32	13
Net profit(+)/loss(—)	325	366	49	104	35	25	13	9
Development rebate provision	11	15	9	56	1	1	1	1
Transfer to reserves	54	120	16	24	22	15	5	3
Dividend			P 5	5				
Amount	E 260	231	E 19	19	E 12	9	E 7	5
			P 9.5	9.5				
Rate (per cent)	E 18	16	E 12	12	E17.50	15	E 17	17
Cover (times)	1.10	1.52	1.84	2.26	2.83	2.66	1.71	1.60
Ratios (per cent)								
Gross profit/sales	8.57	8.39	5.45	8.10	17.72	18.53	9.03	5.72
Net profit/capital employed	6.39	7.44	3.62	8.67	13.72	12.31	7.74	6.04
Inventories/sales	18.28	22.57	9.36	10.90	22.36	18.71	12.39	19.70
Wages/sales	8.33	6.93	7.39	7.56	12.23	12.29	6.55	7.01

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

ASSAM CARBON PRODUCTS LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office: Industrial Estate, Bamuni Maidan, Gauhati-781021 (Assam)

ANNOUNCEMENT REGARDING THE ISSUE OF 2,60,000 EQUITY SHARES OF RS. 10/- EACH AND 7,500 9.8% REDEEMABLE CUMULATIVE PREFERENCE SHARES OF RS. 100/- EACH FOR CASH AT PAR.

Persons interested in full details may obtain copies of the Prospectus and Application Forms from Managers to the Issue. Principal Brokers, Underwriters, Brokers and Bankers to the Issue mentioned below.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY THE 29TH APRIL, 1974 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON WEDNESDAY THE 8TH MAY, 1974 OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON THURSDAY, THE 2ND MAY, 1974.

Application will be made to the Calcutta Stock Exchange for permissions to deal in and for an official quotation of the Equity Shares and Redeemable Cumulative Preference Shares of the Company.

HISTORY AND BUSINESS:

The Company was incorporated on 17th April, 1963 in the State of Assam as a Public Limited Company under the Companies Act, 1956 under the name "Assam Coke Oven & Briquette Co Ltd" and its immediate main object was to set-up a Coal Chemical Complex in Khasi and Jayantia Hills which however did not materialise.

By Resolutions passed on 5th April, 1966, the Company changed its name to the present name and its main objects entitling it to carry on inter alia the business of manufacturing of and dealing in Carbon Blocks, rods and slabs, Carbon Brushes, electro carbons, Cinema arc carbon, etc. The Company now has well established factories at the Industrial Estate, Gauhati (Assam) for processing and sale of various carbon materials and the manufacture of electrical Carbon Blocks, principally of Metallic Carbon Group and the manufacture of Electrical Carbon Brushes, and contacts of all types commonly used in electrical Machines. The registered capacities of the existing units are:-
(i) Metallic Carbon Blocks — 80,000 Kgs p.a. Silver Graphite Blocks — 500 Kgs p.a. Electrographitic & Hard Carbon Blocks — 15,000 Kgs p.a. (ii) Carbon Brushes — 6,00,000 Nos p.a. (iii) Mechanical Carbons — 20,000 Kgs p.a.

PROJECT:

The Company proposes to set up a new plant at Gauhati (District Kamrup, Assam) for the manufacture of Electrographitised and Resin Bonded grades of Carbon Blocks with an installed capacity of 1,00,000 Kgs per year at present. These products will be according to the specification at and standard of quality laid down by Morganite Carbon Limited. London, England, with whom the Company has entered into a Technical Collaboration Agreement.

The demand for Carbon Brush and other carbon components is literally universal and constantly growing. Every time a button is pushed or a switch is thrown there is a carbon component involved somewhere the consequent chain of events from generation of current in a massive 500 MW Turbo Alternator to such simple operations as starting a motor, sweeping a carpet or running a domestic fruit juicer or an electrical shaver.

There are over 120 Carbon Brush Manufacturing factories in India having a total registered capacity of over ten million Carbon Brushes per annum of all varieties and types. These factories, including Company's own Brush Manufacturing Unit at Gauhati, are largely dependent on imports in respect of their requirements of the Carbon Blocks proposed to be manufactured under the scheme.

FINANCIAL AND TECHNICAL COLLABORATOR:

Morganite Carbon Limited ('Morganite') of London is a subsidiary in the U.K. of the Morgan Crucible Company Limited, a British Company of International repute. In 1903 the Morgan Crucible Company Limited began to manufacture Carbon Blocks and Carbon Brushes and to sell these products worldwide. It established a factory in U.S.A. in 1910 and now has factories in many countries. Morganite was created in 1961 as a specialist carbon company and is now associated with sister companies in the U.K., U.S.A. Japan, Australia, Italy, Mexico, Brazil, Luxemburg and Venezuela.

SHARE CAPITAL:

		Rupees
Authorised:		
8,00,000	Equity Shares of Rs 10/- each	80,00,000/-
20,000	Redeemable Cumulative Preference Shares of Rs 100/- each	20,00,000/-
		1,00,00,000/-
Issued and Subscribed:		
2,40,000	Equity Shares of Rs 10/- each	24,00,000/-
7,500	Redeemable Cumulative Preference Shares of Rs 100/- each	7,50,000/-
		31,50,000/-
Paid up:		
1,60,000	Equity Shares of Rs 10/- each paid up in full (of these 1,17,500 Equity Shares have been issued and allotted credited as full paid up for consideration otherwise than in cash, including 40,000 Equity shares issued and allotted to Morganite Carbon Limited U.K. in terms of the Financial & Technical Collaboration).	16,00,000/-
80,000	Equity Shares of Rs 10/- each paid up at the rate Rs 5/- per share. (The balance of Rs 5/- on these shares will be called up along with the calls on the shares offered to the public in terms of the Prospectus)	4,00,000
7,500	9.8% Redeemable Cumulative Preference Shares of Rs 100/- each paid up in full	7,50,000
		27,50,000
Present Issue for cash at par:		
4,20,000	Equity Shares of Rs 10/- each	42,00,000
7,500	9.8% Redeemable Cumulative Preference Shares of Rs 100/- each	7,50,000
		49,50,000
Out of the present Issue:		
1,60,000	Equity Shares of Rs 10/- each have been reserved for subscription for Cash at par by Morganite Carbon Limited	16,00,000
Now offered to the public subscription for cash at par in terms of the prospectus:		
2,60,000	Equity Shares of Rs 10/- each	26,00,000
7,500	9.8% Redeemable Cumulative Preference Shares of Rs 100/- each	7,50,000
		33,50,000

TERMS OF PAYMENT:

The amount payable on respective shares shall be as follows:-

	Equity Shares	Preference Shares
(a) On Application	Rs 5.00 per Share	Rs 50/- per Share
(b) On Allotment	Nil	Rs 50/- per Share

The balance of Rs 5/- per Equity Share shall be payable in one or more calls as may be determined by the Board of Directors of the Company provided that no call shall be made earlier than three months after the date of allotment of the Shares and not less than three months shall intervene between two calls, if any.

APPLICATIONS:

Applications for shares must be for a minimum 50 Shares or multiples thereof in the case of Equity Shares and 5 Shares or multiples thereof in the case of Redeemable Cumulative Preference Shares.

EVERY APPLICANT SHOULD SUBMIT ONLY ONE APPLICATION FOR THE NUMBER OF SHARES REQUIRED. MULTIPLE APPLICATIONS AND APPLICATIONS IN JOINT NAMES ARE LIABLE TO BE REJECTED.

UNDERWRITERS:

The Shares offered to the Public for Subscription have been fully underwritten by the following Underwriters:-

Name of Underwriters	Amount Underwritten Equity Rs (in lacs)	Preference Rs (in lacs)
Place, Siddons & Gough (Private) Ltd, Calcutta	4.00	—
Brijnath Khandelwal & Co, Calcutta	3.00	—
Varma & Co, Calcutta	0.50	—
N. L. Roy & Co, Calcutta	0.50	—
G. M. Bosu, Calcutta	0.50	—
Stewart & Co, Calcutta	1.00	—
Amrit Lal Bajaj & Co, Delhi	1.00	—
H. P. Mehta & Co, Delhi.	1.00	—
Harbans Singh Mehta & Co, Delhi	1.00	—
Vinod Kumar & Co, Delhi	0.50	—
Behari Lal & Co, Delhi	0.50	—
Bharat Bhusan & Co, Delhi	0.50	—
Raja Ram Bhasin & Co, Delhi	0.50	—
Sikander Lal & Co, Delhi	0.50	—
Merwanjee Bomanjee Dalal, Bombay	1.00	—
D. S. Purbhoodas & Co, Bombay	1.00	—
Lewis & Jones, Bombay	1.50	—
Valji Bhimji, Bombay	1.00	—
L. K. Panday, Bombay	1.00	—
Bhupendra Champaklal Devidas, Bombay	1.00	—
Harish Chandra Gutt & Co, Bombay.	0.50	—
Jasvantlal Chhotalal & Co, Bombay	0.50	—
Prabhudas Lilladher, Bombay	0.50	—
Suresh F. Gundaria, Bombay	0.75	—
Dalal & Sons, Bombay	0.50	—
Jasvantlal Chhaganlal, Bombay	0.50	—
Hira Lal Lilladher, Bombay	0.75	—
M. Nanjappaiah Jahgirdar, Bangalore	0.50	—
Vijay & Co, Bangalore	0.50	—
Pushkarlal Ghudawala, Indore	0.50	—
Oriental Fire & General Insurance Co Ltd 10, Middleton Row, Calcutta 700016	—	2.0
The New India Assurance Co. Ltd 87, Mahatma Gandhi Road, Bombay 400001	—	1.5
National Insurance Co. Ltd 18, Rabindra Sarani, Calcutta 700001	—	2.0
United India Fire & General Insurance Co. Ltd, I.O.B. Building, 151 Mount Road, Madras 600001	—	2.0
	26.00	7.5

In the opinion of Directors, the resources of the above named Underwriters are sufficient to discharge their respective underwriting obligation.

BOARD OF DIRECTORS:

Name, Address, Occupation and Other Directorships:

Shri Bhagwati Prasad Himatsingka, (Chairman)
(Son of Shri Gajanand Himatsingka)
11, Queen's Park, Calcutta 700019
Industrialist
Managing Director:
India Carbon Limited
Director of:
Assam Industrial Development Corporation Limited
Assam Petro-Chemicals Limited
Goa Carbon Limited and others

Dr. Robin Thompson
(Son of Mr. T. W. Thompson)
11, West Hill, South Croydon, Surrey (U.K.)
Business Executive
Chairman of:
*Morganite Carbon Limited
Director of:
*The Morgan Crucible Company Limited
*Le Carbon Lorraine S.A.
*Morganite Electrical Carbon Limited and others

Mr Herbert William Dudley Musgrave
(Son of Major M. Musgrave)
Glangarnat House
Lower Brynamman, Ammanford, Carms, U.K.
Business Executive
Managing Director:
*Morganite Electrical Carbon Limited
Director:
*Morganite Carbon Limited
*Morganite Special Carbon Limited
*Morganite International Limited and others

Mr Ruari Ian Lambert Chisholm
(Son of Mr. U. N. Mc U. Gooden Chisholm)
16, Spencer Hill, London S.W.-19 U.K.
Technical Executive
Director:
*Morganite Carbon Limited

Shri Ganesh Chandra Phukan (I.A.S. Retd.)
(Son of late B. N. Phukan)
'Hatigarh' Zoo-Narangi Road, Gauhati 781021
Company Director
Chairman:
Assam Financial Corporation
Member of:
Reserve Bank of India, Eastern Regional Board.
Director of:
Everest Cycles Limited.

Shri Durga Narain Kapur
(Son of Late Rai Bahadur Raj Narain Kapur)
9/1 Lower Rawdon Street, Calcutta 700020
Stockbroker
Director of:
Dishergarh Power Supply Company Limited
Howrah Mills Company Limited
J. K. Steel & Industries Limited
Texmaco Limited and others

Shri Krishna Prasad Barooah
(Son of late I. P. Barooah)
Uzanbazar, Ganhati 781001
Company Director
Director of:
United Bank of India
Assam Industrial Development Corporation Limited
Meghalaya Industrial Development Corporation Limited and others

Shri Prabhakar Raghunath Deshpande
(Son of Shri Raghunath Deshpande)
"Rushilla" 17, Carmichael Road, Bombay 400026.
Business Executive
Managing Director of:
Crompton Greaves Limited
Director of:
Asha Pavro Electronic Private Limited
John Fowler (India) Limited
Hind Lamp Limited and others

Shri Anirudha Kumar Himatsingka
(Son of Shri Gajanand Himatsingka)
44, Somerset Mansion, Off Warden Road, Bombay 400026
Industrialist
Managing Director:
Amines & Plasticizers Limited
Director of:
India Carbon Limited
Hypine Carbons Limited and others

Shri Premchandra Goenka (Managing Director)
(Son of Late Ashrafi Lal Goenka)
New House
Bamuni Maidan Hill, Gauhati 781021
Businessman
Director of:
Hypine Carbons Limited
Naidoli Agro-Industries Limited and others
(*indicate bodies *corporate incorporated* outside India)

AUDITORS:
PRICE WATERHOUSE, PEAT & COMPANY
B-4, Gillander House, Calcutta 700001
SOLICITORS TO THE ISSUE:
ORR, DIGNAM & CO
29, Netaji Subhas Road, Calcutta 700001.
BANKERS TO THE ISSUE:
STATE BANK OF INDIA
1 Strand Road, Calcutta 700001
UNITED BANK OF INDIA
16, Old Court House Street, Calcutta 700001
MANAGERS TO THE ISSUE:
MERCHANT BANKING DIVISION
STATE BANK OF INDIA
Madame Cama Road, Bombay 400001
REGISTRARS:
ANDREW YULE & CO LIMITED
8, Clive Row, Calcutta 700001
PRINCIPAL BROKERS:
PLACE SIDDONS & GOUGH (PRIVATE) LIMITED
6 Lyons Range; Calcutta 700001
OTHER BROKERS:
Calcutta
PLACE, SIDDONS & GOUGH (PRIVATE) LTD, 6, Lyons Range, Calcutta-1; BRIJNATH KHANDELWAL & CO, 13, India Exchange Place, Calcutta-1; VARMA & CO, 7 Lyons Range, Calcutta 1; N. L. ROY & CO, 7 Lyons Range, Calcutta-1; G. M. Bosu, 7, Lyons Range, Calcutta-1; STEWART & CO, 14, India Exchange Place, Calcutta-1; BHUWALKA & SONS, P 32 & 33, India Exchange Place, Calcutta-1.
Delhi
AMRITLAL, BAJAJ & CO, United India Life Buildings, F Block, Connaught Place, New Delhi; H. P. MEHTA & CO, Surya Kiran, III Floor, Kasturba Gandhi Marg, New Delhi-1; HARBANS SINGH MEHTA & CO, 33, Regal Building, Parliament Street, New Delhi-1: VINOD KUMAR & CO, A-6 Connaught Place, New Delhi; BEHARI LAL & CO, Stock Exchange Building, Asaf Ali Road, New Delhi-1; BHARAT BHUSAN & CO, H-45, Connaught Place, New Delhi-1; RAJA RAM BHASIN & CO, Jeewan Mansion, 8/4 D. B. Gupta Road, New Delhi; SIKANDER LAL & CO, 42, Delhi Stock Exchange Buildings, Asaf Ali Road, New Delhi-1; J. C. MEHTA, 44, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-1.
MERWANJEE BOMANJEE DALAL, Allahabad Bank Building, Apollo Street, Bombay-400001; D. S. PURBHOODAS & CO, Stock Exchange Building, Apollo Street, Bombay-400001; LEWIS & JONES, Bank of Baroda Building, Apollo Street, Bombay-400001: VALJI BHIMJI, Old Stock Exchange Building, Dalal Street, Fort, Bombay-400001; L. K. PANDAY, Bank of Maharashtra Building. 45/47, Apollo Street, Fort, Bombay-400001; BHUPENDRA CHAMPAKLAL DEVIDAS, Bhupendra Chambers, Dalal Street, Bombay-400001; JASVANTLAL CHHOTALAL, Bhupendra Chambers, Dalal Street, Bombay-400001; HARISH CHANDRA GUTT & CO, 45, Apollo Street, Bombay 400001; PRABHUDAS LILLADHER, Stock Exchange Building, 5-A Hamam Street, Fort, Bombay-400001; SURESH F. GUNDARIA, Stock Exchange Building, Dalal Street, Bombay-400001; HARKISONDASS LUKHMIDASS, Stock Exchange Building, Apollo Street, Bombay; JAVAHIR JAYASUKHLAL JAGIRDAR, 122, Stock Exchange New Building, Apollo Street, Bombay; CHIMANLAL J. DALAL & CO, 107, Stock Exchange New Building, Apollo Street, Bombay; DALAL & SONS, Stock Exchange Central Building, Room No. 18, First Floor, Dalal Street, Bombay-400001; Building, Apollo Street, Bombay-400001; HIRALAL LILLA-JASVANTLAL CHHAGANLAL, 68, Stock Exchange New DHER, Stock Exchange Building, 5-A, Hamam Street, Bombay-400001.
Madras
PATERSON & Co, Vanguard House, 11/12, Second Line Beach, Madras-1; CHITRA & CO, 322/323, Linghi Chetty Street, Madras-1.
Ahmedabad
CHINUBHAI CHIMANLAL DALAL, Fatehbhai's Haveli, Ratanpole, Ahmedabad-1.
Bangalore
M. NANJAPPAIAH JAHGIRDAR, 205, Cavalry Road, Bangalore-560042. VIJAY & CO, 9, Eleventh Main Road, Malleswaram, Bangalore-3.
Hyderabad
P B AFZULPURKAR, 4-5-195, Sultan Bazar, Hyderabad-1.
Indore
PUSHKARLAL GHUDAWALA, 44, Bada Sarafa, Indore-2;
SOLICITORS:
P. D. HIMATSINGKA AND CO.
6, Old Post Office Street, Calcutta-700001.

FROM OUR CORRESPONDENTS

CREDIT POLICY

Loss of Credibility

IT is amusing to see the Reserve Bank behaving as if it still had a credible credit policy. It called a meeting of the chief executives of the major scheduled commercial banks last week supposedly to review the trends in the busy season, which ends technically with this month, and to indicate the credit policy for the coming months of what is called the slack season. On the eve of the meeting, it circulated among the bankers an analysis of the expansion of bank credit in the busy season. The purpose was simply to justify the order of the credit expansion which has far exceeded the Reserve Bank's estimates —both the original ones and the hastily revised ones.

The Reserve Bank had a set a quantitative ceiling for credit expansion in the busy season. The ceiling was arbitrarily put at 10 per cent of the credit outstanding at the end of September 1973. Thus the permissible credit expansion, for purpose other than food procurement, was to be Rs 600-650 crores over the seven-month period October 1973-April 1974 or Rs 400-450 crores over the six-month period November 1973-April 1974. These limits were not based on any assessment of credit requirements; nor were the banks given any indication of the priorities and norms to be adhered to in restricting credit within the prescribed limits.

No wonder, then, that the ceiling was pierced in no time. The Reserve Bank's response to this was to raise the ceiling first to Rs 740-790 crores and then to Rs 950 crores. Actual credit expansion has, however, far outstripped even these successively revised ceilings. By April 12, with three weeks of the busy season still to go, non-food credit had expanded by Rs 1,173 crores. Including food procurement credit and bills rediscounted with the Reserve Bank, the expansion was Rs 1,305 crores. What makes this order of credit expansion particularly unjustifiable is that it took place during a period when industrial output was stagnant.

The other point that deserves notice is that the colossal expansion of commercial bank credit in the last six months was made possible by the active help of the Reserve Bank. The rise in commercial banks' borrowings from the Reserve Bank between end-September 1973 and April 19, 1974 was Rs 422 crores. In addition, the banks rediscounted bills of the value of Rs 276 crores with the Reserve Bank and also drew down their reserves by about Rs 150 crores. Thus in different ways the Reserve Bank provided a total of Rs 800 crores of accommodation to finance credit expansion by the commercial banks. Against this, according to the Reserve Bank's own busy season eve estimates, commercial banks' borrowings from it should have been just Rs 145 crores on April 1 (one-and-a-half per cent of demand and time liabilities).

Even more curious, the Reserve Bank has permitted banks to violate the statutory reserve requirements. Between February 1 and April 12, the banks' average aggregate liabilities were of the order of about Rs 11,000 crores and they should have kept around Rs 770 crores as reserves. Actually their reserves persistently fell short of this figure. On March 29, for instance, they had dwindled to Rs 610 crores. The Reserve Bank had raised the reserve *requirements to limit the resource-base* of the banks and, thereby, to check the expansion of bank credit. Its connivance with the commercial banks in violating the reserve requirements, therefore, shows its complete lack of *seriousness about implementing its own* credit policy.

This impression is strengthened by an examination of the justifications which the Reserve Bank has advanced for the runaway rise in bank credit. The first of these is that a large part of the additional credit has gone to finance exports which, it is claimed, is in keeping with the policy of providing all possible incentives to exporters. For one thing, as mentioned above, the exclusion of export credit from the overall credit ceiling was an afterthought. More important, given the stagnation in industrial output, increase in demand for export credit should not have added substantially to total working capital requirements. More than 80 per cent of export credit is production finance in the form of pre-shipment credit. To the extent there has been no significant increase in production, larger export credit should have been expected to result in at least some, if not a corresponding, reduction in the demand for credit to finance production to meet domestic needs. In fact, borrowers appear to have grabbed more of both types of credit to finance virtually the same volume of output.

That in order to take advantage of the concessional rate of interest borrowers from banks have drawn more export finance than justified by their actual requirements is confirmed by the Reserve Bank's belated move to restrict concessional pre-shipment export finance to three months. Exports are a priority sector; but it does not follow that all the credit which the banks claim to have extended to finance exports is justified. Before accepting it as justified, the Reserve Bank should have made some assessment of the actual export credit needs during the period and satisfied itself about the flow of export receipts and the like.

The Reserve Bank's second explanation is that the public sector undertakings have accounted for a significant proportion of the credit expansion. The estimate of additional credit to the public sector during September 1973-April 1974 is said to have been originally placed at Rs 100 crores and subsequently raised to Rs 140 crores in January 1974, whereas by March 1974 these undertakings had drawn Rs 166 crores. It is difficult to understand how the Reserve Bank could have failed to anticipate the credit demand from the *public sector undertakings. The total* credit limits of these units were of the order of Rs 2,015 crores in June 1973 and, according to the Reserve Bank's 'Basic Statistical Returns', their utilisation ratio in December 1972 was 40 per cent. The Reserve Bank should have been, therefore, prepared for outstanding bank credit of about Rs 800 crores to public sector units, against the actual outstanding of Rs 764 crores.

The most damaging reason advanced by the Reserve Bank for the uncontrolled credit expansion is that prices have risen faster than the rate assumed at the time when the credit estimates were framed in October 1973. Does this explanation not imply an abdication of responsibility by the country's central bank? During a period of rising prices, monetary policy should aim to bring down inventory levels all-round. Actually, the banks appear to have made it possible for their clients to maintain and perhaps even increase their inventory levels by providing additional funds to fully offset the rise in prices. And the Reserve Bank evidently sees nothing wrong in this. The ready availability of bank credit has played no small part in the rise in prices of even imported materials. There are instances of import replenishment licences being sold at exorbitant prices and commercial banks financing the deals — with the permission of the Reserve Bank — by granting loans at the unofficial values of these licences.

Another reason cited by the Reserve Bank is the increase in the disbursements of the term-lending institutions which, it is claimed, in turn led to larger requirements of working capital. In fact, it cannot be said that capital asset formation in 1973-74 was substantially larger than in 1972-73. While direct assistance by term-lending institutions went up by about Rs 30 crores during the year, there was a decline of Rs 20 crores in fresh capital raised through shares and debentures. There are, besides, a number of cases in which loans from the term-lending institutions have been used for short-term purposes, because they are cheaper than commercial bank credit which now bears a minimum rate of interest of 11 per cent. On the whole, private sector investment in the non-farm sector in 1973-74 can be said to have been only modestly higher than in 1972-73, if even that.

The next item on the Reserve Bank's list of explanations — namely, political disturbances, delay in wagon movement, shipping bottlenecks, inadequate return flow of funds because of delay in payment of bills by government departments — cannot be considered new since the Reserve Bank has itself described these phenomena as perennial problems. It may be argued that it is because credit has been readily available that there has not been much pressure, for instance, to expedite payment of bills by government agencies. What has the Reserve Bank done to remedy this situation beyond appointing a committee some years ago to look into the problem of payment of bills of small-scale units?

Finally, it has been argued by the Reserve Bank that credit to the so-called priority sectors accounted for a larger than expected share of total credit expansion. Credit to the priority sectors expanded by Rs 211 crores, of which as much as Rs 138 crores has gone to small-scale industry. A larger number of small-scale units, it is well known, are appendages of large-scale ones, having been set up mainly to get preferential supply of scarce raw materials and bank credit. Why should the credit needs of the so-called small-scale industrial units have gone up so sharply in the last few months? The fortunes of small-scale units are very much linked to those of organised industry; when output in the latter has been stagnant, the former are unlikely to have experienced a production boom.

Even after excluding the questionable expansion in bank credit to the so-called preferred sectors, viz, exports, public sector undertakings and priority sectors, the Reserve Bank has failed to explain an excess of as much as Rs 175 crores over the permissible limit for the 'residual' sector — consisting of large and medium industries and private wholesale trade. The Reserve Bank had estimated the permissible level of credit to this sector at Rs 370 crores whereas the actual credit expansion has been Rs 545 crores (upto end-March) — an overrun of nearly 50 per cent.

The lack of a coherent credit policy is reflected in the unbridled credit expansion which is completely at variance with the stagnation in real output and the sharp rise in prices. Bank credit expanded by Rs 1,338 crores (14.2 per cent) in 1973-74 on top of the increase of Rs 1,274 crores (15.7 per cent) in 1972-73 and Rs 998 crores (or 14 per cent) in 1971-72. The expansion in bank credit of as much as Rs 3,610 crores, or by over 50 per cent, in the past three years was accompanied by an increase in real national income of only 6 per cent.

In fact the monetary situation has gone totally out of hand. A large share of the blame for this must go to the ineffectiveness of the Reserve Bank's credit policy. Gross bank credit to the commercial sector (including that extended by the Reserve Bank) expanded by as much as Rs 1,412 crores in 1973-74 on top of the expansion of Rs 1,124 crores in the previous year. Net bank credit to the government sector amounted to Rs 954 crores in 1973-74 as against Rs 1,324 crores in 1972-73. The smaller increase was entirely because the commercial banks were extending much larger credit to the private sector and were therefore experiencing a shortage of funds.

Given this sharp expansion in credit, which has not been accompanied by growth of real income, employment or real savings, the currency component of money supply has expanded very rapidly. Of the increase in money supply of Rs 1,338 crores in 1973-74, Rs 862 crores (or about two-thirds) was accounted for by currency with the public. Currency had accounted for one-half of the increase in money supply in 1972-73 and earlier, for some years, the proportion had been 40 to 45 per cent. This sharp rise in the proportion of currency also indicates that the transactions demand for money has been on the increase because, among the financial assets, currency has the highest turnover ratio, demand deposits coming next and time deposits last.

Of the increase of Rs 617 crores in aggregate commercial bank deposits during the current busy season upto April 12, demand deposits rose by Rs 417 crores (67.5 per cent of the total rise in deposits) and time deposits by only Rs 200 crores. Time deposits (at Rs 424 crores) had accounted for 50 per cent of the increase in total deposits (Rs 730 crores) in the 1972-73 busy season.

The trends in monetary data point to two important developments. First, with the rapid depreciation in the value of currency, the deposit rates paid by banks have become absolutely unrealistic. One consequence of this is the rise in deposits with non-financial companies which, incidentally, have helped these companies to partially circumvent the Reserve Bank's credit policy. The Reserve Bank must, therefore, act to tighten the restrictions on such deposits. For instance, the amount of deposits that a company can take from the public must be limited to 5 per cent of its net worth, instead of 25 per cent as at present. Second, there has been a sharp and all-round increase in speculative holding of commodities. Everyone tries to move from holding money balances to holding commodities. This is facilitated by the grant of higher money balances to the property-owning classes which enables them to finance a rise in prices of commodities at every stage.

Considering the monetary trends referred to above and the price situation, the Reserve Bank might have been expected to seriously reconsider its credit policies. However, the policy it has announced for the slack season shows that it has learnt nothing from experience. Prescribing aggregative limits for credit expansion, it has been seen, is meaningless. Yet this is precisely what the Reserve Bank is proposing to continue to do. Thus banks have been told to keep credit expansion in the slack season down to 33 to 35 per cent of the increase in deposits. Similarly, the projection has been made that 12 months from now banks' credit-deposit ratio would be 71 per cent compared to 73 per cent currently. What has been, an continues to be, missing in the Reserve Bank's facile aggregative exercises is any indication of the priorities or any suggestion of the norms which are to govern the allocation of credit by the commercial banks. In their absence, scant attention will be paid to the credit ceilings prescribed by the Reserve Bank and such curtailment of credit as does take place will be totally arbitrary. In the circumstances, the Reserve Bank's role as the central bank will continue to consist primarily of inventing plausible and not-so-plausible justifications for *whatever* order of credit expansion that the free-for-all among commercial banks and their clients happens to result in.

MAHARASHTRA — I

Bullets for Job-Hunters

VASMATH is a taluka town with a population of about 20,000 in Parbhani district of the Marathwada region of Maharashtra. It was here that two young men, who had come to the town hoping to land themselves jobs, were killed by the police on March 27.

The Poorna river irrigation project required 150 Canal Inspectors. For these posts the local employment exchange forwarded interview calls to as many as 1,810 candidates who were all asked to present themselves to the executive engineer for interview on March 27. Large parts of Marathwada are almost perpetually drought-hit. Many of the candidates had to borrow money for the journey for Vasmath. Those from the surrounding villages had to walk miles and camp overnight in Vasmath to attend the interview.

On the 27th morning there was a large crowd of not less than 2,000 people at the executive engineer's office in Vasmath, but the executive engineer was not available. Later inquiries revealed that he was away from Vasmath, perhaps in Bombay, on some official work. On coming to know of the absence of the executive engineer, the crowd of candidates became restless; their enquiries were met with vague and arrogant replies. By now rumours had started circulating that out of 150 posts as many as 100 had already been filled. This made matters worse, and the young men, waiting impatiently in the scorching heat since the morning, soon became furious. They started shouting slogans and a few of them burst into the office and gave vent to their anger by scattering some files and upsetting furniture. Still no one responsible came forward to explain the situtation to them. Their anger increased and there was stone-throwing. But immediately some local leaders intervened and brought the situation under control. They appealed to the crowd to be disciplined and peaceful and managed to move the young men from the executiv engineer's office to an open shaded area near the bus-stand. A string of speeches by the leaders was followed by mass singing of 'bhajans'.

Some of the young men had gone to a restaurant near the bus-stand to get some water to drink. An argument took place between the group and the restaurant owner. The young men brought out the stock of ice from the restaurant and distributed it among themselves. Apart from the pieces of ice lying scattered, not the slightest damage was caused to property or people.

In the meantime, the police arrived at the place of the meeting near the bus-stand and threatened to open fire to disperse the crowd. The local leaders intervened and pleaded with the police that the crowd there was completely peaceful and under control and that any action on the part of the police would only provoke the people. The policemen were finally persuaded to leave. On their way back from the meeting the policemen came to the restaurant where the farcas about ice distribution was going on. It was here that the police opened fire, allegedly without any warning and before any attempt had been made to disperse the crowd by a lathi-charge or firing of tear-gas shells. The firing left two dead and one injured. Both the dead young men had come for the interview from a village about 8 miles away. Both were hit by bullets above their waist, one right between the eyes. The third person, who was injured in the shoulder, was hit in a nearby shop. Evidently, the shops in the area were open, suggesting that there had been no panic or fear of violence. It was only after the firing that life in the area came to a standstill.

When news of the firing reached the meeting, the atmosphere became very tense. The local leaders decided that the crowd should continue with its peaceful bhajans while they went and confirmed the news of the firing. On their return, the leaders decided not to disclose the news of the two deaths in the police firing and instead told the meeting that the firing had resulted only in injuries to some other people who were not connected with the young men who had come for the interview.

There may have been perhaps some justification for withholding the correct information from the young men in this case. But they had been deceived in other respects. For instance, the nearly 1,200 candidates called for the interview had not been told that the posts to be filled were for 'training only'. The training was to be at the candidates' expense. Nor had they been told that out of the 150 posts advertised, 40 were reserved for scheduled castes and tribes and 20 others for those who had worked on drought-relief projects, to be filled through the Social Welfare Board. Thus only 90 posts were to be filled by applicants forwarded by the employment exchange. Why, then did the employment exchange advertise for all the 150 posts and why did it call 1,810 candidates for interview — all at one time on the same day? Some days later there was a mysterious fire in the employment exchange which reportedly destroyed a number of files!

Provoked by the callous tratment of the candidates called for interview and the police firing, all the political parties and student organisations gave a joint call of a bandh which was a total success. They put forward a number of demands, including those for a judicial inquiry, suspension of the concerned officers, etc. These demands have been conceded by the state government; an enquiry commission has been set up and the concerned officers have been served with suspension orders.

This did not, however, appease the students who decided to boycott examinations in Parbhani district. The boycott movement gained momentum rapidly and spread throughout Marathwada. As a result, no examination at all are being held anywhere in Marathwada this year. The Vasmath incident has sparked a wider agitation which has taken up the issue of the economic neglect of the Marathwada region by the state government (see following report).

MAHARASHTRA — II

Politics of Backwardness

GEOGRAPHICALLY, Maharashtra can be divided into five regions: Vidarbha, Marathwada, Khandesh, Western Maharashtra and Konkan. Of these, before the linguistic reorganisation of states, Vidarbha used to be part of Madhya Pradesh and Marathwada of Hyderabad. As parts of Maharashtra, relatively speaking, Vidarbha has made good, whereas Marathwada has not.

Part of the reason for this is political. When Y B Chavan relinquished the chief ministership to move to the Centre in 1962, he picked Kannamwar from Vidarbha as his successor. After Kannamwar's death, he chose another Chief Minister from Vidarbha, V P Naik. This was Chavan's way of keeping his hold on the powerful Maratha caste.

That apart, Marathwada has been historically a backward area. The land is not fertile and less than 4 per cent of it is irriggated. Nor has the region an industrial-urban centre comparable to Nagpur in Vidarbha. And, unlike their counterparts from Konkan and Western Maharashtra, the youngmen who come out in their thousands with degrees from the colleges in Marathwada have little access to job opportunities in Bombay. For one thing, Bombay is much farther away; for another, they have no kith and kin in Bombay with whom they can live; finally, since it is people from Konkan and Western Maharashtra who are established in trade and industry in Bombay, the jobs are pre-empted by them for those from their own regions.

This is the background to the current agitation by students in the cities of Aurangabad, Parbhani and Nanded in Marathwada demanding speedy conomic development of the region. The agitation was touched off by the police firing at unemployed youth in Vasmath town in Parbhani district (see report above). The call given by the Students' Action Committee for a 'Marathwada bandh' on last Thursday in protest against the killing of four persons in police firing on last Sunday and Monday received a spontaneous response in all the five districts of the region.

The Marathwada University Students Association (MUSA), which has played an important role in the current agitation, has the backing of a powerful group in the Congress party in Marathwada. This group is led by Baurao Kale, MP, Balasaheb Pawar, MLA, and S K Vaishampayan, MLC, and has the blessings of Shankarrao Chavan, Minister for Agriculture and an aspirant to the chief ministership. MUSA has also received the support of Anantrao Bhalerao, Socialist party leader and editor of an influential regional newspaper, *Marathwada*, and Govindbhai Shroff, a veteran freedom fighter. Anantrao Bhalerao, Govindbhai Shroff, S K Vaishampayan, Baburao Kale and Balasaheb Pawar have sponsored a body called the Marathwada Development Conference which has been making representations to the state government demanding steps for rapid economic development of Marathwada.

Apart from the development of Marathwada, the Students' Action Committee has demanded the eradication of corruption in public life. For Shankarrao Chavan and his supporters the demand for a public enquiry into corruption in high places in government is welcome, and they have not hesitated to publicly support it.

Another faction of the Congress in Marathwada, which has the support of Chief Minister Naik and is led by Kal-

yanrao Patil, Minister of State for Industries, Manikrao Palodkar, MP and Vice-President of the Maharashtra Pradesh Congress and Rafiq Zakaria, Minister for Urban Development, has tried to link the students' agitation with the demand that the next chief Minister of the state be chosen from Marathwada. What is being suggested is that the movement is inspired by Shankarrao Chavan to promote his claim to the chief ministership.

Naik's supporters have also tried to make out that the agitation has been launched by sons of rich Maratha farmers having large irrigated farms and did not have the support of the poor. To substantiate this charge, they arranged for a deputation of Scheduled Caste students to come from Aurangabad to Bombay to represent to the Chief Minister that the Students' Action Committee was dominated by Maratha students who supported Shankarrao Chavan's claim to the chief ministership and that the whole agitation was being financed by Shankarrao Chavan and his aides. The deputation told the Chief Minister that the Scheduled Caste students were keen to take the examinations and wanted the state government to make arrangements to conduct the examinations as scheduled. Naik's supporters were hoping to exploit the deep antipathy of the Scheduled Caste students in the region to Hindu, and particularly Maratha, students.

However, because of the mass support it has received and the involvement in it of independent leaders like Bhalerao and Shroff, the attempt to dub the agitation as a creation of Shankarrao Chavan has not succeeded. Naik's supporters have, therefore, changed their tactics and are trying to take the wind out of the sails of the movement by making radical demands themselves. They organised a meeting of Congress MPs, MLAs, Zilla Parishad and District Congress office-bearers belonging to their group at the residence of Kalyanrao Patil in Bombay. The meeting decided to submit a charter of demands to the state government similar to that prepared by the Marathwada Development Conference. As part of a well-rehearsed script, at a meeting at his house later the same day, the Chief Minister announced a number of decisions. He declared that an institute of science would be set up in Aurangabad in 1974-75 and a medical college started in Ambejogai from the 1975-76 academic year. The state government would also press the Centre to take up immediately work on the Manmad-Parbhani-Paralivaijnath and Kurdiwadi-Latur-Mudkhed railway lines and on a new broad guage Ahmednagar-Bhir-Paralivaijnath line. The Centre would also be persuaded to start two large public sector projects in Marathwada and to sanction adequate funds for the second stage of the Jayakwadi irrigation project. The state government would set up a district subordinate services board as early as possible and a committee to implement housing schemes. The Chief Minister also sanctioned Rs 20 to every backward class student to meet his travelling expenses from his village to the examination centres. Thus Naik could claim that most of the demands made by the Student's Action Committee had been met. He also stated that all arrested students, except those held on charges of violence and arson, would be released.

Neither representatives of the Marathwada Development Conference nor the Students' Action Committee were invited to the Chief Minister's meeting. Baburao Kale, S K Vaishampayan, Anantrao Bhalerao, Govindbhai Shroff and others boycotted the meeting. Even the President of the Pradesh Congress Committee and Secretary of the PCC were not invited. The attitude of the Chief Minister and his principal aides in Marathwada has evoked strong resentment among the agitating students and spokesmen of the Marathwada Development Conference. The decisions announced by the Chief Minister did not satisfy the students who have dismissed them as "empty promises". Popular support for the students' agitation remains very strong. This became evident when the employees of the State Transport Corporation in the region observed a total token strike in response to the call for State Transport Bandh given by the Students' Action Committee.

The students have decided to launch a month-long agitation from May 1 which will involve non-cooperation, non-payment of taxes, peaceful demonstrations, demand of resignation by MPs and MLAs of the region, non-participation in and boycott of government functions, stopping of work in government offices, demand for employment under the employment guarantee scheme and, if work is not made available, stoppage of public transport. May 1 will also be observed as Martyrs Day.

POLITICAL PRISONERS

More Than Legal Aid

M R

IT is a conspiracy of silence on the part of the Press. The anti-repression fortnight observed in Andhra Pradesh, at the call of the Andhra Pradesh Civil Liberties Committee, has not earned even a casual mention in the national Press.

No doubt, Andhra Pradesh has far fewer political prisoners than West Bengal. But the onslaught on civil liberties and the repression of communist revolutionaries there has been no less intense. In Srikakulam district 7 of the 11 taluks were notified as 'disturbed areas' in 1969. Though the Andhra government claims to have contained the 'Naxalite' challenge, these taluks continue to be notified areas and at least 50,000 Girijans are still herded together in Vietnam-type 'strategic hamlets'. Similarly, some taluks of Khammam and Warangal districts of the Telengana area also continue to be classified as 'disturbed areas'.

Notification of an area as 'disturbed' confers sweeping powers on the police and paramilitary forces, which have fanned out in the tribal tracts as part of the government's anti-Naxalite operations. Whole areas of Srikakulam, East Godavari, Khammam and Warangal districts are dotted with special camps of police and paramilitary personnel. Movements of individuals are subject to severe restrictions. Anyone who looks an outsider is marked out, interrogated and harassed on suspicion and often held in illegal detention for indefinite periods.

In Srikakulam, Girijans living in the strategic hamlets have to return from work in the farms and the forests by sunset. They are not allowed to take any food with them when they go to work. This is the way the forces of law and order seek to ensure that the few communist guerillas still operating in the Girijan terrain do not receive food supplies from the people.

The Andhra Pradesh government has certainly not been averse to using the Defence of India Rules, the Maintenance of Internal Security Act and its own Preventive Detention Act, which is more draconian than the corresponding Central law. However, unlike the West Bengal government, the Andhra

government has also relied heavily on the 'conspiracy' provisions of the Indian Penal Code. Sections 104 and 107 of the Criminal Procedure Code have been used systematically to crush attempts to organise the peasantry and the tribal population.

The conspiracy provisions of the Indian Penal Code used to be a favourite weapon of the British colonial rulers. They can be as effective in dealing with the government's political opponents as the preventive detention laws are — as the Parvatipuram conspiracy case shows. Many leaders and functionaries of the Communist Party of India (Marxist-Leninist), accused in this case, have been undertrial prisoners for over four years. The prosecution would not complete the investigation and bring the accused to trial. Applications for bail were opposed on the ground that the trial would begin in a few weeks. Actually, the trial did not begin till a few months ago after, among other things, many changes of judges. The special judge in charge of the trial retired. His successor did not, it appears, relish the assignment and marked time until he got another posting. The third judge has now fixed the next hearing for May 13. The trial may take years to complete and, even if the accused are acquitted at the end of it, the government can go in appeal against the judgment. The government can, therefore, confidently expect to keep the accused in the case in prison almost indefinitely.

In addition to the conspiracy cases, communist revolutionaries have been implicated on specific charges of murder, dacoity, etc. Every relevant provision of the Indian Penal Code, the Criminal Procedure Code and the Arms Act has found perverse application against them. In Srikakulam district alone, about 450 people, mostly Girijans, stand charged in some 27 cases. These are, of course, in addition to the large number of revolutionaries whom the government has not had to bring to trial since they have been murdered. By the government's own admission, over 120 'Naxalites' have been shot dead in 'encounters' with the police forces. Most of these 'encounters' were fictitious and the revolutionaries were murdered in cold blood after they had been captured. Several others have simply disappeared. The police have denied all knowledge of their whereabouts.

Repression by the Andhra Pradesh government has not been directed only at political activists. Perhaps no other state has proscribed creative writing or harassed writers on the scale that the Andhra government has done. Three members of the executive of the Revolutionary Writers Association were held under the Maintenance of Internal Security Act in October-November 1973 for allegedly propagating the politics of armed struggle. Though the government tried to make out that their arrest had to do with their other activities, not their writing, the High Court held their detention illegal.

There are numerous other instances. An anthology of poems entitled "March" was proscribed and its editor, Pendayala Kishen Rao, was charged with sedition and convicted. M V Ramana Reddy, a physician and an undertrial prisoner in a conspiracy case, was out on bail when he was held under the MISA for allegedly anti-government writing in his journal *Prabhanjanam*. His detention was held illegal by the High Court. Three writers, Jwalamukhi, Cherabanda Raju and Nikhileswar, were detained under the Preventive Detention Act until they were ordered to be released by the High Court. The Khammam residence of Jeevan, a member of the Revolutionary Writers Association, was raided by the police who seized about 400 books and papers. After a whole day of interrogation in the police lock-up, Jeevan was freed on condition that he reported at the police station every day. The literature proscribed by the Andhra Pradesh government includes "March", "Khanjha", "Viplavam Vardhillali" and "Shankaravam" (collection of poems), "Ippudu Veestunna Gali" (collection of short stories), and *Srujana* and *Pilupu* (issues of journals).

The nature and scale of the repression in the state has thrown up a civil rights movement led by the Andhra Pradesh Civil Liberties Committee. Providing legal and monetary aid to the victims of institutionalised violence by the State and by the privileged classes is, of course, an important task of the movement, but it is primarily a mass political movement which provides an intermediate platform for *resistance* to such violence. Towards this end a series of district level conferences have been organised and a state-level conference was held in December last year in Guntur. The anti-repression fortnight, observed recently, is a part of the campaign to arouse the conscience of the people against the repression by the regime and to heighten their awareness of the reasons for, and the methods of, such repression.

SOUTH

Andhra Rests

Mohit Sen

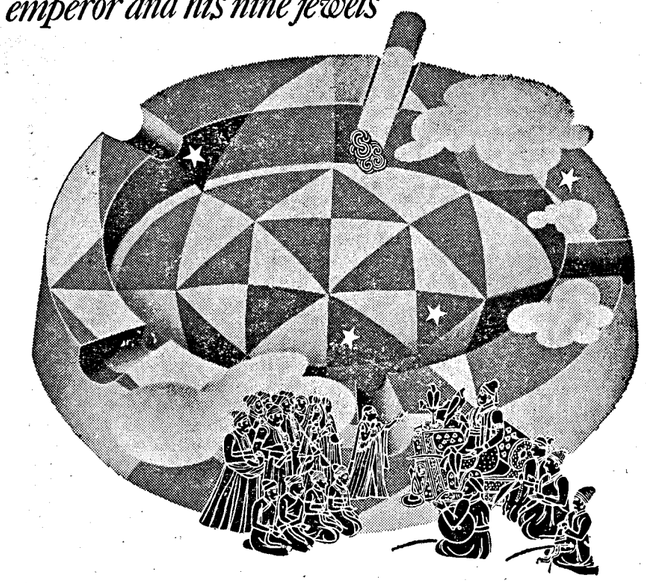
IT is an indication of the complex character of the Indian revolutionary process that the turmoil and upheaval in Gujarat or Bihar go on in the same country where also Andhra rests. And when Andhra was convulsed, Gujarat had lain dormant. There is little point in bemoaning what seems to be one of the facts of Indian life. It should, of course, be remembered that nothing is absolute and this applies to Andhra's rest as well.

But at the moment the Chief Minister has been making a reasonably good job of administering the state. The earlier indecisiveness has been replaced by quick decisions on a host of detailed questions. The rice procurement target has been comfortably met and procurement may even go up to one million tonnes — the chief factor being an unprecedented bumper harvest, the like of which Andhra has seldom seen. The revenue collections have been excellent with the Chief Minister giving a degree of autonomy to the civil service which the latter has always longed for in these matters. Some steps are being taken which create the not necessarily unjustified impression that the long pause in all development activity is about to end.

What this means is that there is a certain return to administration as such, to the functioning of the creaking machine. And evidently Vengal Rao's idea is that if the system begins to work all would be well. He takes like a duck to water to the recent much advertised shift to 'pragmatism' in the top echelons of Congress leadership. Get things done — that is the *mantram!* And since literally nothing had been done for so many years, even this minimum of motion looks like momentum!

But this is precisely what it is not. And this is where all the trouble

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begins to gather. Get things done is all very well, but in not too long a span of time one has to decide what things and how. For example, collection of revenues is a good morale booster for the administrators but what about land reforms? Or, procurement of rice is excellent not only for Andhra but also the nation but what about the unconscionable and utterly intolerable rise in prices? What about unemployment? What about development? What about the implementation of the Six-Point Formula? What about removal of regional disparities? On these and a host of other related and crucial problems the 'pragmatic' Chief Minister does not appear to have anything resembling a systematic approach. After all, the economic and political philosophy of pragmatism is essentially that of *laissez faire*.

The result is that two poles of disaffection are beginning to take shape. One is Congress factionalism. There is no active Congress dissidence at the present moment but the absence of dissidence does not in the least imply the presence of unity. Even in the Ministry many are just waiting for some things to go wrong in order to be able to begin the knifing game. Like all Congress Chief Ministers when the going is reasonably smooth, Vengal Rao has been able to extend the frontiers of his own rather small faction but the new cluster is clearly a conglomerate which would cluster in quite a different way and around quite different personalities should trouble signals begin to be heard. And these uncomfortable sounds are bound to be heard if pep has no purpose.

The other pole of disaffection is popular discontent. One of the more favourable results of the defeat of the Rightist campaign to bifurcate Andhra has been the possibility of a return to the saner politics of mass issues. The defeat of the Right, after all, opens up new possibilities of intervention for the Left and democratic parties and forces. Thus, one witnesses in Andhra a revival of mass activity on two as yet unco-ordinated fronts. One is the spread of joint anti-imperialist meetings and demonstrations. The reception accorded to the widow and daughter of the late President Allende saw a coming together of the Centrists and the Left in a variety of places. Earlier the conference of the peace and solidarity movement had produced the same phenomenon. The other front is the coming together on mass issues of the CPI and CP(M). The two parties are extending support to one another in the forthcoming elections to the Assembly and the Council. They are also the joint sponsors of a meeting of the representatives of all other Left parties and mass organisations to consider the form of action on the national protest day fixed for May 3. In Andhra, the CP(M) mass base has considerably shrunk as compared to 1964 but its coming together with the CPI helps to mobilise large sections of the exploited and oppressed in the rural areas, many of whom have not been able to decide between two parties both of which fly their loved Red Flag!

At the same time, the youth and student organisations in which the CPI members play the leading role and the youth and student organisations of the Congress have already held a joint convention on the problem of prices and chalked out a programme of mass action. A representative gathering of trade unions, including a section of the INTUC, has also arrived at a similar consensus.

These are, let it be remembered, still rather small efforts and the huge peasant mass in the state has yet to be drawn into the battle. Nevertheless, if these initiatives are consolidated, co-ordinated and followed up, the rest of Andhra may yet become ready for a mighty heave forward in the not-so-distant future.

NAGALAND

Why the NNO Lost

Harish Chandola

SPRING has brought a new government to Nagaland and a flood of hopes to the hearts of the people. Very simple hopes. Like villagers thinking that from now on they would be able to go to their fields down in the valley without fear of being arrested on the way and taken to police camps to be interrogated and beaten up to provide information about the 'underground' men.

In Angami country, where I spent three days, in the villages you can even now hear people sighing with relief because the government has changed. The village people did not feel that the previous government of the Naga Nationalist Organisation (NNO) was their own. And in the towns the Nagas called it the "Non-Naga Organisation (NNO) government", because the doors of its ministers and high officials were wide open for rich businessmen from outside Nagaland driving up to secure orders for the ever-widening variety of goods and services the state was constantly buying. But for Naga villagers, if ever they trudged up to the exclusive hill in Kohima called the Ministers' Hill, the big iron gates guarded by rifle-carrying sentries of the Assam Rifles who did not understand the Naga languages, remained shut. The Naga people had ceased to be the constituency of the NNO government.

Of all states, corruption per capita was perhaps the highest in Nagaland. After the elections in February, the state's main PWD godowns at railheads in Amguri and Dimapur, where Nagaland's construction materials were stored, were found absolutely empty because the scarce materials, like CGI sheets and iron rods and pipes, had all been sold in the thriving blackmarket by the previous government just before the elections. The new United Democratic Front (UDF) government has seized some incriminating documents and is preparing to prosecute persons responsible for the illegal sales.

Much of the money the Centre gave for the development of Nagaland went into the pockets of politicians of the ousted government, contractors and officials and very little of it reached the villagers. One has to travel in the state to see that roads have been built there which start from nowhere and go nowhere. They span isolated stretches and were built to help some contractors and their patron politicians obtain generous helpings of the plentiful funds provided by the Centre. An opposition member in the last assembly said during its proceedings that vehicular traffic on such roads would be possible only when helicopters lifted vehicles onto them!

From the results of the Nagaland elections one would find that the NNO got most of the seats from the major towns like Dimapur, Kohima, Mokokchung, Tuli, Phek, etc, and the UDF generally won in the rural areas. The reason for this is that the towns have



large concentrations of people who do not belong to Nagaland, like traders, construction and other workers, rickshaw-pullers and those who carry loads on their heads. Rumours were set afloat before the elections that if they did not vote for the NNO they would all be turned out of Nagaland. And they did not want to lose their means of livelihood.

Defeated Despite Advantages

The NNO also had a number of other advantages. It was in power continuously for 10 years, had total control of the state machinery at the time of the elections, plenty of resources and unlimited backing from the rich trading community. In spite of all these advantages it could not obtain enough seats to form a government.

Since the rural population by and large went against the NNO, let us see why it did so. In a little over a year, two battalions of the Border Security Force (BSF) were raised in Nagaland. Unlike other security forces in the state, most recruits for these two BSF battalions came from Nagaland itself. They used to be members of the private army of the former 'Revolutionary Government of Nagaland', a faction of the underground Nagas led by men from the Sema country who had broken away from their parent body following the assassination of their leader, Kaito, in Kohima in 1967, allegedly by some Angami members of the underground. (Kaito had been openly opposing the move to place the leadership of the negotiations which the underground was then conducting with the Government of India in the hands of Phizo.)

The breaking off of most of the Semas from the main body of the underground created a temporarily favourable situation for the NNO government. These breakaway elements trapped and handed over about 300 men returning from China, led by the chief of the underground army, Mowu Angami, to the security forces in 1968. The Nagaland government helped this Sema faction establish a separate identity and strengthened it against the main underground body.

The breakaway Sema group established an organisation called the Revolutionary Government of Nagaland and for five years tried very hard to assume the position of the main underground body by rallying other underground men in other parts of Nagaland to its side. Its attempt was to isolate the pro-Phizo elements. But it failed to do so.

By last year, however, it was felt that maintaining the separate identity of the Revolutionary Government was becoming excessively expensive and politically counter-productive, because this group had failed to contain, let alone put an end to, the activities of the main body of the Naga underground. It was decided to dismantle the Revolutionary Government and rehabilitate its men. Two new BSF battalions were therefore formed to accommodate them and provide them with 'legal' activity.

BSF Turncoats

These rehabilitated men are now spread all over Nagaland as BSF soldiers. They know almost all the relatives and friends of the underground because until a few years ago the underground men were their fellow soldiers. Now, in the new circumstances, they hunt for their former comrades. An easy way of hunting was to go to the villages and try to secure information from the parents, wives, children and other relatives of the underground men about their whereabouts. This was done generally by arresting the relatives and interrogating them, which did not exclude the use of torture. The Naga villagers were terrorised by these BSF men who spearheaded the operations against the underground conducted by all elements of the security forces. After the elections, the hope of the villagers is that the new government may be able to restrain these men and save them from arbitrary arrests, detention and torture.

The UDF came to power under extremely adverse circumstances. The powerful trading community in the state and the higher-ups in the administration, themselves Nagas, who so far had a free hand, were all opposed to the UDF. They were afraid that their excessive profits and their arbitrary powers might be brought to an end by the UDF which while in the opposition was relentlessly exposing them.

I give just one example of the profits made by the trading community in Nagaland. By selling much of the sugar quota of Nagaland in the blackmarket in other states, the trading community makes a profit of over Rs 11 lakhs a month! Nagaland gets a quota of almost everything: wheat, rice, kerosene, fertilisers, galvanised iron sheets, pipes, steel, cars, scooters, etc, most of which are sold outside in the blackmarket at enormous profit. Who would want such a lot of easy money to slip through his fingers? It is said that the traders had offered each independent MLA Rs three lakhs to join the NNO to enable it to form the government. But most independents did not accept the bribe and joined the UDF.

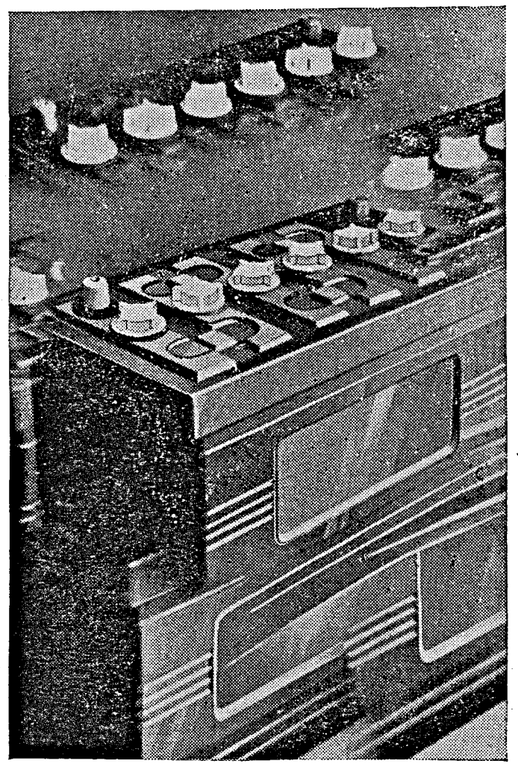
Chief Secretary's Loot

I also give just one example of how some high officers in Nagaland managed to enrich themselves. A former Chief Secretary of the state, a Naga, now owns six large houses, including a bungalow built by the state government which he first got condemned and then helped himself to, a number of farms, including one which might be the largest in the state, created by appropriating village common lands, and a petrol pump in the name of his son, besides many other things. Money back home was so easy and plentiful that his son who was in the Indian Police Service in a faraway state, resigned, and on coming back was given a contract running into several lakhs of rupees for the construction of a temporary jail-cum-courthouse for the trial of Naga prisoners in Shillong by the Nagaland administration of which his father was then the Chief Secretary.

Delhi firms blacklisted by Delhi hospitals supply equipment and drugs to Nagaland government hospitals through offering enormous kick-backs to officers. Firms making sub-standard chemicals and drugs have come up in Nagaland under the bogus ownership of relations of top medical officers of the state. One could easily write a book on the easy ways devised by the Nagaland officials to help themselves to the bounty coming from the Centre.

And now to discredit the new government, rumours are being spread about plans to assassinate the former ministers of the NNO. The former ministers have ceased to be of any importance. And nobody wastes bullets on persons of no importance. What amazes the Naga people is that the Governor of the state should through his actions in February and March have expressed trust in the NNO which had been voted out of power by the people and have expressed open distrust of the UDF which had emerged as the majority party (in the Nagaland Assembly the UDF now has 36 seats and the NNO 24). The Nagas now openly ask if the Governor considers the process of democracy wrong?

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Not-So-Hidden Persuasion

Nireekshak

THE credibility of a journalist cannot but have an inverse relationship with the extra-mural perquisites, patronage and rewards he enjoys. All the same, it is necessary to sustain the myth that all these do not compromise a journalist's independence. The relationship has to be elevated to the realm of metaphysics, like the one between aid-giving and aid-receiving nations. All aid is intervention *per se* but all aid is always described as 'stringless' by both sides.

Chief Minister Abdul Ghafoor of Bihar could not have been unaware of the issues of journalistic ethics involved when he decided to nominate an assistant editor of *The Searchlight* to the state food committee, without so much as consulting or informing the editor. Membership of the committee carries the status of a Minister with all perquisites and privileges that go with it, except the salary. And *The Searchlight* had been an uncompromising critic of the Bihar government's food policy. The editor put his foot down and this led to a confrontation with the government. The issue went to the Press Council and the Chief Minister entered the unconvincing plea that he did not expect the editor to object to the nomination of a colleague to the food committee and therefore did not consider it necessary to inform or consult him. The editor's contention was that the Chief Minister's action amounted to an attempt to corrupt the Press.

The Press Council does not take up issues *suo moto* and few care to raise issues like these with the Council. There should be scores of other instances of corrupt practices which have escaped public attention. Of late, such practices have been acquiring a measure of sophistication. Some dailies from Punjab have denounced that what they regard as an attempt by the Punjab government to build up a lobby for itself among Delhi-based correspondents. The Punjab government has an estate in New Delhi and a few hand-picked correspondents have been allotted living accommodation in the estate at nominal rent. This could be a dangerous precedent for other state governments to build up lobbies among New Delhi's Press Corps. In any case, the Central government has been dispensing with such patronage for years now.

The Press Association of India, despite its high-sounding name, has been little more than a real estate agency for the caste of journalists in the capital known as special correspondents. Membership of the Association is restricted to those accredited to the Government of India at the headquarters. The Association, though a voluntary organisation, used to maintain the seniority list for allotment of government accommodation to special correspondents at subsidised rents. Journalists' involvement in the Press Association was limited largely to getting government accommodation and, having got it, to defending it. No wonder, no special correspondent ever retires in New Delhi. A benami accreditation can always be found, what with the proliferation of newspapers in the country. An accreditation is a must to keep the government-allotted house.

Last year the government acted to end the Press Association's role as a real estate agency. Date of membership of the association used to be relevant for determining the seniority in the housing list; now the date of one's accreditation is the basis of seniority. The seniority list is maintained by the Principal Information Officer. Predictably, the Press Association has become a redundant body and many journalists have not cared to renew their memberships.

Out-of-turn allotment of houses by the government to chosen correspondents was a common practice even in the heyday of the Press Association's real estate activities. One needed to have access to the right minister to circumvent the Press Association and its seniority list. There is nothing very sacrosanct about the seniority list under the new dispensation either. Those in the bottom half of the list will not get government housing for the next, say, 50 years if they were to go merely by seniority. Of course, one is constantly assured that out-of-turn allotment of houses (whatever the grounds) does not amount to an attempt by the government to buy up the beneficiaries.

It is not in the least surprising that neither the Indian Federation of Working Journalists nor the rival National Union of Journalists has thought it necessary to speak out against the feudal patronage the Central and state governments have been extending to working journalists. The IFWJ has just mooted the idea of a code of ethics for journalists, but it is not known if the code would include rejection of all extra-mural rewards or patronage.

Radio and TV contracts are yet another form of government patronage. Working part-time for the government-owned media is indeed a status symbol and a measure of recognition among journalists.

No wonder, then, that the hastily-contrived theory that Janki Gaur, an assistant director in Delhi TV, jumped to death from his fourth-floor office because he was already a psychiatric case, found many takers among the capital's newspapers. His widow, Hope Gaur, was compelled to issue a statement refuting this theory calculated to cover up the fact that Janki was driven to suicide by his horrifying job condition. Suicide by a scientist a few years ago forced an inquiry into the affairs of the Indian Council of Agricultural Research; but there was no demand from the Press for an inquiry into the affairs in Delhi TV. Minister Inder Gujral's statement in Parliament would not admit that the suicide had anything to do with Janki Gaur's job. He was described as a sensitive, talented and a conscientious officer with an impeccable confidential record. A prize is to be instituted in his memory for the best TV documentary every year. The government's conscience is now clear. What does it matter if the TV staff is demanding a fuller inquiry into the circumstances of the suicide?

United Western Bank

UNITED WESTERN BANK opened 11 new branches last year and has now a network of 72 branches spread over the whole of Maharashtra. Its total deposits increased by Rs 6.35 crores to Rs 28.29 crores and advances by Rs 4.06 crores to Rs 17.31 crores. In line with the general trend, the bank had surplus funds in the first half of the year but experienced inadequacy of funds in the second half as a result of the credit squeeze imposed by RBI. During 1973, the bank earned a marginally higher profit of Rs 4 lakhs, of which Rs 2 lakhs were transferred to the statutory reserve fund.



Announcement regarding the issue of Equity Shares. — This is only an announcement and not a Prospectus. The Shares will be listed on Bombay Stock Exchange.

Persons interested in details may please obtain copies of the Prospectus and Application Forms from the Managing Brokers, Brokers and Bankers to the issue mentioned here under.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY THE 29TH DAY OF APRIL 1974, AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON SATURDAY THE 11TH DAY OF MAY 1974, OR EARLIER, AT THE DISCRETION OF THE BOARD OF DIRECTORS, BUT NOT EARLIER THAN THE CLOSE OF BANKING HOURS ON THE 4TH DAY OF MAY 1974.

Trade-wings LIMITED

Registered Office: 6, Mascarenhas Building, Afonso de Albuquerque Road, Panaji, Goa.

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HISTORY, EXISTING AND PROPOSED ACTIVITIES AND PROSPECTS OF THE COMPANY:

The Company was started with a preliminary capital of Rs. 20,000/- in 1948 and progressively enlarged its activities and volume in steady strides. The Company was the first in the country to have organised Haj Charters to Jeddah in 1949 and Holy Year Charters to Europe in 1950 and was converted into a Public Limited Company in 1973, with Offices in Bombay, Baroda, Bangalore, New Delhi, Hyderabad, Madras, Madurai, Mangalore, Nagpur and Goa, employing a staff of over 350. The Company's turnover hit the mark of Rs. 7.50 crores and dividends at an average of 8% to 15% were declared continuously since 1948 to date. The Company has Travel, Clearing and Forwarding, Packing and Tour Departments for foreign tourists visiting India. The Company has excellent contacts with travel agents all over the world. Plans are on hand to open offices in New York and London. The Company is now building a 3-Star hotel with 126 double rooms which will be located on Bogmalo Beach near Dabolim Airport, Goa. The object of the issue is to provide part of the finance to build this hotel. Looking to the rapid growth of tourism and Goa being a tourists' paradise, the occupancy rate is expected to be very high. Considering the vast experience of the Company in travel business and its entering into a long-term management contract for operating the hotel, with the well-known Oberois, the Directors are confident of its success.

SHARE CAPITAL:

Authorised	Rs.
7,50,000 Equity Shares of Rs. 10/- each	75,00,000
2,50,000 Unclassified Shares of Rs. 10/- each	25,00,000
	1,00,00,000
Issued, Subscribed and Fully Paid up	
92,970 Equity Shares of Rs. 10/- each	9,29,700

Present Issue	
4,07,030 Equity Shares of Rs. 10/- each at par	40,70,300
Out of the Present Issue	
1,07,030 Equity Shares of Rs. 10/- each at par have been reserved for subscription for cash by existing shareholders of the Company and their staff and associates.	10,70,300
Now offered to public for subscription for cash at par	
3,00,000 Equity Shares of Rs. 10/- each	30,00,000
	Rs. 40,70,300

TERMS OF PAYMENT	Per share
On Application	Rs. 2.50
On Allotment	Rs. 2.50
By two equal calls to be made by the Board of Directors with an interval of at least two months between the date of allotment and the first call and also between the first and second calls.	Rs. 5.00
	Rs. 10.00

BOARD OF DIRECTORS:

ARVIND N. KILACHAND (Chairman & Special Director), Businessman "Bakhtavar", Opp. Colaba P.O., Bombay-400 005.

VINAYAK S. UBHAYAKAR (Managing Director), Service "Joyeden", Mereweather Road, Bombay-400 001.

SHAILESH R. PAREKH (Managing Director), Service "Nishat House", 6, Carmichael Road, Bombay-400 026.

SITARAM P. PANDIT, Businessman "Dil Pazir", Bhulabhai Desai Road, Bombay-400 026.

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SHANTANU N. DESAI Chartered Accountant "Sharda" 'A' Road, Churchgate, Bombay-400 020.

VINAY K. SHAH, Industrialist "Fionika", 59 B, Walkeshwar Road, Bombay-400 006.

LIMJEE K. PANDAY, Share Broker Bank of Maharashtra Bldg., 45-47, Apollo Street, Bombay-400 001.

AUDITORS:

C. C. Chokshi & Co., Chartered Accountants, Mafatlal House, Backbay Reclamation, Bombay-400 020.

SOLICITORS:

Mulla & Mulla and Craigie Blunt & Caroe, Jehangir Wadia Building, 51, Mahatma Gandhi Road, Bombay-400 001.

UNDERWRITERS:

The entire public issue of 3,00,000 Equity Shares of Rs. 10/- each has been underwritten as follows:

Name	Equity shares underwritten (Rs. in lakhs)
United Commercial Bank, Brabourne Road, Calcutta.	5.00
BOMBAY:	
L. K. Panday	3.00
Kaiki J. Khambatta	1.00
Ratilal Kasturchand	1.00
Merwanjee Bomanjee Dalal	1.00
Lewis & Jones	1.00
Valji Bhimji & Co.	1.00
Hiralal Lilladher	1.00
Jasvantlal Chhaganlal	0.50
Jasvantlal Chhotalal & Co.	0.50
S. F. Gundaria	0.50
Puranmal Bansidhar	0.50
Porecha Brothers	0.50
Jayantilal N. Patel	0.50
N. M. Parikh	0.50
D. S. Purbhoodas & Co.	0.50
DELHI:	
Raja Ram Bhasin & Co.	1.50
Vinod Kumar & Co.	1.00
Underwriters Associates	1.00
Sikander Lal & Co.	1.00
H. P. Mehta & Co.	1.00
Bharat Bhushan & Co.	1.00
Roshan Lal & Co.	0.50
M. R. Soni & Co.	0.50
Labh Chand Rode & Co.	0.50
Jalan & Co.	0.50
CALCUTTA:	
Place, Siddons & Gough Pvt. Ltd.	1.00
Brijnath Khandelwal & Co.	0.50
BANGALORE:	
Vijai & Co.	1.00
Jahgirdar & Co.	0.50
M. Nanjappaiah Jahgirdar	0.50
Total	30.00

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KAIKI J. KHAMBATTA, Stock Exchange Central Building, Dalal Street, Bombay-400 023.

PRINCIPAL BROKERS:

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Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-400 023.

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Hiralal Lilladher, Stock Exchange Building, Bombay-400 023.

Jasvantlal Chhaganlal, 68, Stock Exchange New Building, Apollo Street, Bombay-400 023.

Jasvantlal Chhotalal & Co., Bhupen Chambers, Bombay-400 023.

S. F. Gundaria, Stock Exchange, Mezzanine Floor, Bombay-400 023.

Puranmal Bansidhar, 114-4, Stock Exchange New Bldg., Apollo Street, Bombay-400 023.

Porecha Brothers, 19, Stock Exchange Bldg., Apollo Street, Bombay-400 023.

Jayantilal N. Patel, Stock Exchange Bldg., Apollo Street, Bombay-400 023.

N. M. Parikh, 33, Stock Exchange Bldg., Bombay-400 023.

D. S. Purbhoodas & Co., Stock Exchange Building, Apollo Street, Bombay-400 023.

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P. B. Afzulpurkar, 4-5-195, Sultan Bazar, Hyderabad-500 001. (A.P.)

AHMEDABAD:

Laxminarayan N. Gupta & Co., Anandji Kalyanji Bldg., Opp. Dhanasuthar's Pole, Relief Road, Ahmedabad-380 001.

MADRAS:

Chitra & Co., 322/323, Linghi Chetty Street, Madras-600 001.

BANKERS OF THE COMPANY:

United Commercial Bank, Ucobank Building, Dr. Dadabhai Naoroji Road, Bombay-400 001.

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BANK OF INDIA, 70/80, Mahatma Gandhi Road, Bombay-400 001, and at any of their main offices at Ahmedabad, Bangalore, Baroda, Bombay, Calcutta, (Jawaharlal Nehru Road Branch), Hyderabad, Indore, Madras, New Delhi (Parliament Street Branch), Nagpur, Panaji, Poona, Rajkot and Surat.

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APPLICATION FOR SHARES:

Applications for shares shall be made only by residents in India and must be for a minimum of 50 Equity Shares or multiples thereof.

All application forms properly completed must be lodged, together with the amount payable on application with any of the offices of the Bankers to the Issue specified in the application forms.

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 the allotment is made. The Board of Directors reserve the right to reject, in its absolute discretion, all or any applications in joint names and multiple applications by the same applicant.

Dazzal

Distribution of Urban Household Wealth in India—I

A First Approximation

V M Jakhade

S L Shetty

This paper seeks to explore the possibilities of presenting a method, albeit *a crude one, for observing the trends in wealth distribution among urban households.*

At this stage of the country's economic development, no official 'administrative' statistics would provide a correct picture of the reality regarding wealth distribution. The only method of obtaining such a valid picture is through systematic surveys.

However, till such surveys are undertaken, it may be worthwhile to attempt, on the basis of available official statistics, to frame a rough pattern of the distribution of wealth and to indicate broad trends over a period of time. The present study has this modest objective in view.

'DISTRIBUTIVE justice' has been one of the main objectives of planning in India. Considerable interest has been shown in recent years in the study of the distribution pattern of income and wealth in the community. Though the required data are not available for a detailed analysis of the pattern of income distribution,[1] some recent studies have provided useful data, which may broadly indicate the trends towards increasing inequality in incomes of rural and urban households.[2] These estimates have been made possible by the existence of — besides the regular CSO estimates of national income — such corroborative data as the results of the National Sample Survey (NSS) Rounds on *Consumer Expenditure* separately for rural and urban areas, estimates of household savings in these areas, and the *Income-Tax Revenue Statistics* on non-farm household incomes.

However, the distributional aspect of wealth ownership, which is generally the major source of non-salary income, has remained so far an unexplored field in India. This is understandable, for "it is generally difficult in any country to collect comprehensive information on asset holdings of different groups of the population as the households do not keep regular accounts and those that do would not normally reveal them. It is not surprising, therefore, that most countries do not have the required data for a systematic study of the annual or periodical changes in the distribution of asset holdings among the personal or household sector".[3]

In the United States, where fairly comprehensive estimates of household wealth distribution have been attempted of late, it is stated that two prerequisites for such estimates are (i) detailed data on household wealth in 'estate tax returns', which are used for estimating the distribution of wealth among living persons with the help of the 'estate multiplier method'; and (ii) the existence of a set of national balance-sheet accounts "for a limited number of bench-mark years".[4]

In India, neither of these sources is available in the scale and form which may facilitate the derivation of household wealth distribution. This is particularly true of the urban household sector. In respect of rural households, the information can be more readily got. For, detailed data on the size distribution (of physical area) "for a limited number of bench-mark years" are available for land — which forms the bulk of tangible wealth in the rural areas — through the Rounds of the National Sample Survey.[5] Besides, research bodies such as that of the Reserve Bank of India and the National Council of Applied Economic Research (NCAER) have conducted surveys on the distribution *inter alia* of tangible wealth among the rural households, though these survey results pertain so far to single years.[6]

As for urban households sector, the only bit of information available is with regard to distribution of wealth held in the form of owner-occupied homes in 1960, as revealed by the NCAER urban income survey.[7] These data were not originally published by the NCAER but they were made available to the Mahalanobis Committee.[8] As the Mahalanobis Committee has opined, "no data, not even scattered bits of information, are available for a direct study of the distribution of personal wealth in other forms such as bank deposits, shares, securities and commercial property, even at a particular point of time".[9] Faced with such a situation, the Committee has not attempted any analysis of the distribution of urban household wealth; they have, instead, confined their attention to studying the distribution of only one type of income from wealth, namely, dividend income based on *Income-tax Revenue Statistics*.

Purpose and Methodology of Study

The purpose of this paper is to explore the possibilities of presenting a method, *albeit* a crude one, for observing the trends in wealth distribution among urban households. Here it must be made clear that, at this stage of the country's economic development, no official 'administrative' statistics would provide a correct picture of the reality regarding wealth distribution. The only method of obtaining such a valid picture is through systematic surveys. However, till such surveys are undertaken, it may be worthwhile on the basis of available official statistics to attempt framing a broad pattern and so indicating broad trends over a period of time. The present study has this modest objective in view. It should be emphasised that this paper does not claim to have provided any conclusive evidence on the pattern of distribution of urban household wealth; at best, it provides a basis for discussion.

After estimating the total reproducible wealth of the country as a whole, the wealth held by the government sector and the corporate sector is deducted to arrive at household wealth. Household wealth is further divided into farm and non-farm wealth. Assuming, in a given year, all wealth-tax assessees to belong to the highest income brackets as revealed by the income-tax assessment data, the total wealth of such assessees is assumed to correspond to their income assessed to income-tax. A comparison of these two sets of data gives the *capitalisation rate* for that year. Assuming, further, that this *capitalisation rate* holds good for all the income-tax assessees during the same year, the income-tax assessment data are converted into data on distribution of urban wealth. Such an attempt is made for three reference years, 1949-50, 1960-61, and 1966-67.

The present study is based on three sets of data. First, on the basis of the estimates of a country's total tangible wealth for 1949-50 and for 1960-61,[10] the reproducible tangible wealth of urban households is estimated. And an attempt is made to derive the total reproducible tangible wealth held by certain sectors for a more recent year, *viz*, 1966-67, by assuming constancy in capital output ratios during the short period between 1960-61 and 1966-67; in turn, aggregate urban household wealth is estimated therefrom. The other two sets of data are from the *Wealth* and *Income-tax Revenue Statistics*, which are welded together in order to capitalise the income levels.

As stated earlier, these official statistics are subject to a number of limitations. First, the number of income-tax paying households form an insignificant proportion of the total number of urban households (about 4.1 per cent according to 1966-67 data). And, among the income-tax assessees, wealth-tax payers form an equally small proportion (about 4.6 per cent for 1966-67). Secondly, considerable tax evasion is reported; as a result, the margin of error in the official statistics may be significant. Thirdly, the data published do not give the income actually earned during the year; they provide the income (or wealth) assessed during the year of reporting. A study made by Gopal provides the details of actual assessments of individuals and Hindu undivided families for wealth tax for all the assessment years from 1957-58 to 1966-67; these data were obtained by him directly from official records.[11] We have employed the data given in his study. Fourthly, another drawback arises from the type of assumptions inherent in the methodology employed. The assumptions are: first, each tax-paying assessee is assumed to represent a household; secondly, income assessed during a given year is related to wealth assessed during the same year; and thirdly, every person assessed to wealth tax is also assessed to income-tax.

The only estimates of tangible wealth in some of the functional sectors are those given by Mukherjee and Sastry for 1949-50 and by the Reserve Bank of India for 1960-61. The methods employed by these studies are identical: estimates of reproducible tangible wealth in individual sectors are added up to arrive at the country's total wealth in the bench-mark years. Table 1 contains details of the results arrived at in these studies. As may be observed from this Table, the wealth data are available for only two years — 1949-50 and 1960-61. On the other hand, *Wealth* and *Income-tax Revenue Statistics*, which are employed for deriving the pattern of urban wealth distribution, are available upto 1966-67. Therefore, the possibilities have been explored of presenting wealth estimates for a more recent year, *viz*, 1966-67. For this purpose, the reproducible tangible wealth, estimated as at the end of 1960-61 by the Reserve Bank, at Rs 32,164 crores, is taken as the starting point. For deriving a similar estimate as at the end of 1966-67, two steps have to be adopted: (i) the capital stock at

TABLE 1 : REPRODUCIBLE TANGIBLE WEALTH IN INDIA, 1949-50 AND 1960-61

(Rs crores)

Sectors	1949-50 Amount (Rs)	1949-50 Per Cent of Total	1960-61 Amount (Rs)	1960-61 Per Cent of Total
(1)	(2)	(3)	(4)	(5)
I *Agriculture, animal husbandry and allied activities*	*5236*	*30.6*	*8783*	*27.3*
1 Agricultural improvements including tractors	363	2.1	860	2.7
2 Livestocks used in farms	2428	14.2	2702	8.4
3 Sheds, barns, etc	880	5.2	1366	4.3
4 Improvements of land and irrigation works	1533	9.0	3780	11.8
5 Plantation other than tea plantation, etc	20	0.1	35	0.1
6 Forestry and fishery	12	0.1	40	0.1
II *Mining and manufacturing (large scale)*	*1816*	*10.6*	*5642*	*17.5*
1 Mining	110	0.6	183	0.6
2 Electricity generation and transmission	240	1.4	1174	3.7
3 Tea plantations	133	0.8	282	0.9
4 Other factory establishments : private	1206	7.1	3236	10.1
5 Other factory establishments : public	127	0.7	767	2.4
III *Small enterprises*	*763*	*4.5*	*1200*	*3.7*
IV *Transport and communications*	*2387*	*14.0*	*4218*	*13.1*
1 Railways	1574	9.2	2746	8.5
2 Communications	93	0.5	198	0.6
3 Vehicles	281	1.6	639	2.0
4 Transport animals	356	2.1	394	1.2
5 Shipping and navigation companies	18	0.1	135	0.4
6 Airways companies	17	0.1	42	0.1
7 Other transport companies	48	0.3	64	0.2
V *Capital outlay in government administration*	*707**	*4.1*	*1810*	*5.6*
VI *Trade and commerce*	*1772*	*10.4*	*3398*	*10.6*
1 Wholesale and retail trade	1704	10.0	3260	10.1
2 Banks, co-operatives and insurance companies, etc	68	0.4	138	0.4
VII *House property*	*4405*	*25.8*	*7113*	*22.1*
1 Urban	2644	15.5	4381	13.6
2 Rural	1761	10.3	2732	8.5
Total	*17086*	*100.0*	*32164*	*100.0*

* Total of estimates for "roads and bridges", "public and semi-public capital in ports, docks, lighthouses, etc", "public capital in aerodromes and aerodrome equipments" and "public house property".

Source : (1) M Mukherjee and N S R Sastry : 'An Estimate of Tangible Wealth in India' in "Income and Wealth Series" VIII (London, 1959), page 366.

(2) 'Estimates of Tangible Wealth in India', *Reserve Bank of India Bulletin* (Vol XVII, No 1, January 1963), page 10.

TABLE 2: DERIVATION OF CAPITAL STOCK FROM TOTAL INVESTMENT DURING 1961-62 TO 1966-67 AND INDEX OF INVESTMENT COST

(Rs crores)

	CSO's Estimates of Net Capital Formation		Implied Index of Investment Cost at 1960-61 = 100	Index of Investment Cost at 1966-67 = 100	Net Capital Formation at Current Prices Converted to 1966-67 Prices (Rs)
	At Current Prices	At 1960-61 Prices			
1960-61	1665	1665	100.0	69.9	—
1961-62	1689	1624	104.0	72.7	2323
1962-63	1920	1794	107.0	74.8	2567
1963-64	2353	2120	111.0	77.6	3032
1964-65	2681	2286	117.3	82.0	3270
1965-66	3056	2442	125.1	87.5	3493
1966-67	3074*		143.0**	100.0	3074
Total for 1961-62 to 1966-67	—	—	—	—	17759
Capital stock of Rs 32,164 crores as at the end of 1960-61 converted to 1966-67 prices	—	—	—	—	46014
Total Reproducible Tangible Wealth as at the end of 1966-67	—	—	—	—	63773

* Estimated on the basis of 0.6 per cent increase implied in Perspective Planning Division's study in respect of total Plan investment in private and public sectors together at current prices.

** This is based on a rise of 14.3 per cent in the cost of investment as given in *Economic Recovery: 1967-68 1968-69* (Planning Commission, October 1967).

Source: CSO: *Estimates of Capital Formation in India: 1960-61 to 1965-66* (New Delhi, 1969), pp 14-15.

TABLE 3: ESTIMATES OF REPRODUCIBILE CAPITAL STOCK BY INDUSTRIAL ORIGIN AND CAPITAL-OUTPUT RATIOS

	1949-50/1950-51					1960-61/1961-62				
	Reproducible Capital Stock, End of 1949-50 (Rupees Crores)	CSO's Net Domestic Output at Current Prices (Rs Crores)			Capital Output Ratio	Reproducible Capital Stock, End of 1960-61 (Rupees Crores)	CSO's Net Domestic Output at Current Prices (Rs Crores)			Capital Output Ratio
		1949-50	1950-51	Average			1960-61	1961-62	Average	
1 Agriculture, animal husbandry and allied activities	5216	4490	4890	4690	1.11	8748	6821	7055	6938	1.26
2 Mining	110	60	70	65	1.69	185	144	149	147	1.24
3 Factory establishments	1726*	540	550	545	3.17	4320**†	1074**	1179**	1127	3.83
4 Small enterprises	763	900	910	905	0.84	1200	1405†	1517†	1461	0.82
5 Electricity	—	—	—	—	—	1174	61	68	65	18.06
6 Communication	93	30	40	35	2.66	198	63	72	68	2.91
7 Railways	1574	180	180	180	8.74	2746	252	281	267	10.28
8 Organised banking and insurance companies	68	60	70	65	1.05	138	158	83	171	0.81
9 Other transport and commerce	2424	1390	1400	1395	1.74	4534	1561††	1681††	1621	2.80
10 House property	4405	400	410	405	10.88	7113	380	398	389	18.29
11 Government services, professional services and other sectors	707	980	1030	1005	0.70	1810**††	1448*†	1565*†	1507	1.20
Total	17086	9030	9550	9290	1.84	32164	13367	14148	13758	2.34

*Inclusive of "small-scale enterprises". ** Factory establishments include item 'gas'. † 'Construction' item is also included in 'Small enterprises'. †† Inclusive of "real estate".*† Inclusive of "water supply".**† Inclusive of "other plantations".**†Capital outlay in Government administration.

the end of 1960-61 should be converted into 1966-67 prices by some appropriate investment cost index; and (ii) the price-adjusted net capital formation achieved during the period 1961-62 to 1966-67 should be added. For these purposes, we have relied on the CSO's estimates of capital formation, as also on their implied index of investment cost. The data contained in Table 2 are self-explanatory. The country's total reproducible tangible wealth works out to Rs 63,773 crores for 1966-67.

The CSO's estimates of investment are not given in terms of functional groups such as farm and non-farm. On the other hand, the wealth estimates given above provide the sector-wise distribution which facilitates the regrouping of data for analytical purposes. In other words, such estimates of reproducible tangible wealth have to be worked out sector-wise for 1966-67. In the absence of sector-wise data on net capital formation, an alternative method had to be resorted to.

For this purpose, the wealth estimates for the various sectors in 1960-61 have been related to the net domestic output originating in those sectors. The average capital-output ratios, thus worked out, are presented in Table 3. Interestingly, these capital-output ratios get corroborated — though inferentially — by the estimates of sector-wise *incremental* capital-output ratios worked out by the Perspective Planning Division of the Planning Commission.[12] A close examination of these two sets of data reveal the plausibility of the assumption of constancy in the average capital-output ratio during a short period, between 1960-61 and 1966-67. The Planning Commission's study presents the incremental capital-output ratios upto 1964-65, on the basis of the actuals of investment data available with them. It is true that estimates of incremental capital-output ratios, made by them, show that the ratio has risen from 2.61 for 1955-56 to 1960-61 to 3.09 for the next four years 1960-61 to 1964-65. But their projection for the subsequent decade, 1964-65 to 1974-75, or for the Fourth Plan period (1967-68 to 1973-74), show considerable decline in incremental ratios. Besides, it is widely known that, during 1965-66 and 1966-67, because of the increases in consumption expenditure, there has been considerable slackening in the average investment-income ratio which declined from 13.8 per cent in 1965-66 to 12.2 per cent in 1966-67.[13] Therefore, the assumption of constancy in the capital-output ratio during such a short period may be tenable. Besides, the changes which have in reality taken place would necessarily have been marginal; the errors which they introduce in the ultimate estimates of tangible wealth may, therefore, not be significant. The resulting estimates of sectoral distribution of wealth for 1966-67 are presented in Table 4.

True, in the services sector — comprising banking and insurance companies and government, professional and other services — it cannot be said that there is a definite relationship between capital stock and income generated. In respect of banking and insurance companies and the government sectors, concrete data are available in published documents. Our examination of these data shows that, while the capital stock estimate in respect of the banking and insurance companies (Rs 304 crores) is broadly valid, those for the government services are underestimates by about Rs 2,000 crores.[14]

TABLE 4 : DERIVED ESTIMATES OF REPRODUCIBLE CAPITAL STOCK BY INDUSTRIAL ORIGIN

	Capital-Output Ratio at End of 1966-67	Net Domestic Output at Current Prices (Rupees crores)			Reproducible Capital Stock at End of 1966-67 (Rupees crores)
		1966-67	1967-68	Average	
1 Agriculture, animal husbandry and allied activities	1.26	11843	15235	13539	17059.14
2 Mining	1.24	252	291	272	337.28
3 Factory establishments	3.83	1959*	2073*	2016	7721.28
4 Small enterprises	0.82	2340	2556	2448	2007.36
5 Electricity	18.06	158	183	171	3088.26
6 Communications	2.91	132	143	138	401.58
7 Railways	10.28	426	413	420	4317.60
8 Organised banking and insurance companies	0.81	364	385	375	303.75
9 Other transport and commerce	2.80	3141†	3729†	3435	9618.00
10 House property	18.29	608	630	619	11321.51
11 Government services, professional services, and other sectors	1.20	2649*†	2977*†	2813	3375.60
Total	2.34	23872	28615	26244	61410.96

* 'Factory establishments' inclusive of 'gas' at the rate of 2.88 per cent from that group 'Electricity, gas and water supply'.

† 'Real estate' is placed under 'other transport and commerce', it is 1.18 per cent of total of 'Real estate and ownership of dwellings'.

*† 'Water supply' is included under government services, etc, at the rate of 6.63 per cent of the group. 'Electricity, gas and water supply'.

These proportions have been obtained from CSO's Brochure on Revised Series of National Product for 1960-61 to 1964-65 (New Delhi, August 1967).

TABLE 5: DISTRIBUTION OF REPRODUCIBLE WEALTH OWNERSHIP AMONG THREE MAJOR SECTORS

(Rs crores)

	1949-50		1966-67		1960-61	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Households Sector	12131	71	19298	60	31249	49
Private Organised Sector	2050	12	4825	15	9565	15
Government Sector	2905	17	8041	25	22958*	36
Total Wealth	17086	100	32164	100	63773	100

Note: *The actual estimate is Rs 22,985, crores which came to 36 per cent.
Source: For years 1949-50 and 1960-61, see Mahalanobis Committee Report, *op cit*, p 20.

TABLE 6: DISTRIBUTION OF TOTAL REPRODUCIBLE TANGIBLE WEALTH BETWEEN FARM AND NON-FARM SECTORS

(Rupees crores)

	Farm Sector			Non-farm Sector	Grand Total
	Public Sector	Private Sector	Total		
1949-50	229	6416	6645	10441	17086
1960-61	1365	9604	10969	21195	32164
1966-67	3146	17389	20535	43238	63773

TABLE 7: DERIVATION OF REPRODUCIBLE GOVERNMENT SECTOR WEALTH FOR 1966-67 FROM NET CAPITAL FORMATION IN PUBLIC SECTOR

(Rupees crores)

	CSO's Estimates of Net Capital Formation in Public Sector at Current Prices (Rs)	Investment Cost Index at 1966-67 =100**	Net Capital Formation of Public Sector Converted to 1966-67 Prices (Rs)
1960-61	1028	69.9	—
1961-62	1014	72.7	1395
1962-63	1285	74.8	1718
1963-64	1509	77.6	1945
1964-65	1739	82.0	2121
1965-66	2034	87.5	2325
1966-67	1977*	100.0	1977
Total for 1961-62 to 1966-67	—	—	11481
Capital stock of Rs 8,041 crores converted to 1966-67 prices	—	—	11504
Total Reproducible wealth of Public Sector at the end of 1966-67	—	—	22985

Note: * Obtained on the basis of a 2.8 per cent fall in public sector investment at current prices. See Perspective Planning Division Study, *op. cit*, Table 4.
** See earlier Table 2.
Source: CSO: *Estimates of Capital Formation in India: 1960-61 to 1965-66* (New Delhi, 1969), p 13.

TABLE 8: PUBLIC SECTOR WEALTH IN THE FORM OF IMPROVEMENTS IN LAND, IRRIGATION, ETC

(Rupees crores)

	Capital Outlay on Irrigation, Multi-purpose River Schemes and Other Land Improvement (Central and State)	After Adjustment for Depreciation	After Adjustment for Price Increase Based on Investment Cost Index
1960-61	157	153	—
1961-62	172	168	231
1962-63	180	175	234
1963-64	201	196	253
1964-65	233	227	277
1965-66	222	216	247
1966-67	250	244	244
Total for 1961-62 to 1966-67	—	—	1486
Conversion of Rs 1,365 crores at the end of 1960-61 into 1966-67 prices (after adjusting for depreciation)	—	—	1660
Total public sector wealth in improvements in land, irrigation, etc	—	—	3146

Interestingly, the total capital stock based on aggregate investment data amounted to Rs 63,773 crores, whereas by the alternative method based on capital-output ratios an estimate of Rs 61,411 crores was arrived at. There is thus a close correspondence between the above two estimates, though the methods of estimation are independent of each other.

The country's total wealth is held by three sectors: government, corporate bodies, and households including non-corporate bodies. The data presented so far do not make such a classification. The Mahalanobis Committee had estimated the share of the household sector in the country's total reproducible wealth to be 60 per cent in 1960-61 as against 71 per cent in 1949-50. During the same period, the share of the government had risen significantly — from 17 per cent to 25 per cent — while the share of the organised private business sector went up slightly — from 12 per cent to 15 per cent (see Table 5).

Our estimates, details of which are given below, show that the share of the government sector in total wealth had gone up to 36 per cent by 1966-67.[15] We have assumed, on the basis of the investment trends during 1960-61 to 1966-67, that the share of the organised private business sector has remained static at 15 per cent. This gives us a share of 49 per cent in the country's total wealth for the household sector (see Table 5).[16]

As stated at the outset, the present study is devoted to urban household wealth rather than to total household wealth. The derivation of urban household wealth is made possible by the existence of wealth estimates for individual sectors. Wealth held in the first group 'agriculture, animal husbandry and allied activities' and 80 per cent of the wealth held in the form of 'house property' in the 'rural' sector, are assumed to belong entirely to the farm sector. The rest belongs to the non-farm sector. Many of the non-farm activities — in small enterprises, trade, and commerce, and even in factory establishments — are carried on within the 'rural' areas. It is observed that about 20 per cent of the rural households are engaged on non-farm activities.[17] We have taken into account all non-farm wealth (instead of urban wealth) for the obvious reason that wealth tax laws do not discriminate between wealth held in the rural areas and wealth held in the urban areas where non-farm wealth is concerned. Income earned from such wealth is also charged to income-tax, under the Indian Income-tax Act (covering non-farm incomes). Details of farm and non-farm wealth are given in Table 6. The farm sector's wealth is further sub-divided into the government and household sectors, assuming that no corporate sector wealth exists in the farm sector.

Earlier, we have referred to the estimation of total capital stock in the government sector, for 1966-67. Similarly, from total farm-sector wealth, wealth held in the form of improvement of land and irrigation works in the public sector has been deducted in order to arrive at the wealth of the household sector within the farm sector.

TOTAL GOVERNMENT SECTOR WEALTH

The following methods are employed for these two estimates of government sector wealth. According to Mahalanobis Committee Report, total wealth in the government sector in 1960-61 was approximately Rs 8,041 crores (or 25 per cent of the country's total reproducible wealth). This is taken as the starting point. The CSO's estimates of net capital formation at current prices are given separately for the public and private sectors for 1960-61 to 1965-66. These estimates for the public sector are reproduced in Table 7. For 1966-67, the net capital formation for the public sector is estimated from the Perspective Planning Division's study (referred to earlier), wherein investment made out of Public sector Plan outlays is given. This shows a fall of 2.8 per cent in 1966-67 over 1965-66. Using the investment cost index employed earlier, public capital stock of Rs 8,041 crores in 1960-61 has been converted to 1966-67 prices; to this, the price-adjusted investments made during 1961-62 to 1966-67 are added. Thus the total reproducible tangible wealth with the government in 1966-67 works out to Rs 22,985 crores. The details are given in Table 7.

In order to adjust the farm sector wealth for the wealth held in the form of improvements in land and irrigation projects by the public sector, we have employed the same method as was done in the original Reserve Bank study which estimated country's total wealth.[18] Data on capital outlays on irrigation, navigation, multi-purpose river valley schemes and other land improvements are obtained from the Reserve Bank periodical studies on Central and state government budgets. These figures for each year are scaled down for depreciation by assuming a life of 40 years, and they are also adjusted for the increase in the investment cost by the investment cost index given earlier. The Reserve Bank's study had placed the public sector wealth in this form in 1960-61 at Rs 1,365 crores, which has also been adjusted for the price increases and for depreciation. Combining these factors, the corresponding public sector wealth for 1966-67 works out to Rs 3,146 crores, which has already been indicated in Table 6. The details of these estimates are given in Table 8.

FINAL ESTIMATES OF HOUSEHOLD WEALTH

Table 9 gives the non-farm household wealth for the three benchmark years, 1949-50, 1960-61 and 1966-67. These estimates of the non-farm household wealth are to be distributed among different size groups.

TABLE 9: DERIVATION OF URBAN HOUSEHOLD WEALTH FROM TOTAL HOUSEHOLD WEALTH (REPRODUCIBLE)

(Rupees crores)

	Total Household Wealth	Farm Household Wealth	Non-farm Household Wealth
1949-50	12131	6416	5715
1960-61	19298	9604	9694
1966-67	31249	17389	13860

The derivation of the pattern of distribution of urban wealth is essentially centred around the wealth tax and income-tax statistics. While income-tax statistics are available for well over three decades, wealth tax is of a recent origin. The tax was imposed in 1957-58, and it is observed that the tax was effectively implemented only during the next year.[19] Originally, the exemption limit was Rs 2 lakhs which continued upto 1963-64; from 1964-65 onwards, the exemption limit was reduced to Rs 1 lakh. Originally, companies were also charged to wealth tax but the provisions for companies were so liberal that very few companies were actually assessed to tax. Thus, in 1961-62, for instance, only 8 per cent of the wealth assessed or 6 per cent of the wealth tax related to companies. Subsequently, in 1966-67, the companies were exempted from wealth-tax.

The latest data available, both in respect of wealth tax and income-tax revenue statistics, are for 1966-67. As stated earlier, Gopal's study gives the details of actual assessments of households for the assessment years 1957-58 to 1966-67, as obtained from official records, and we have employed the data given in Gopal's study.

Notes

[The views expressed herein are the personal views of the authors.]

1 The Mahalanobis Committee on Distribution of Income and Levels of Living had said thus. See their Report, Part I: Distribution of Income and Wealth and Concentration of Economic Power (New Delhi: Planning Commission, February, 1964), p 10.

2 The most important ones are: (a) P D Ojha and V V Bhatt: 'Distribution of Income in the Indian Economy', *Reserve Bank of India Bulletin* (Volume XVI, No 9, September 1962, pp 1348-1363); (b) K R Ranadive: 'The "Equality" of Incomes in India', *Bulletin of the Oxford University Institute of Economics and Statistics* (Volume 27, No 2, 1965) and 'Pattern of Income Distribution in India, 1953-54 to 1959-60', the same *Bulletin* (Volume 30, No 3, August 1968). Besides, NCAER have conducted field surveys to estimate the distribution of rural and urban incomes. Two comprehensive surveys of the NCAER are: (i) 'Urban Income and Saving (1962)'; and (ii) 'All India Rural Household Survey (1964)'. Towards end-1970, a seminar on the subject of 'Income Distribution' was held in New Delhi under the auspices of the Indian Statistical Institute, New Delhi.

3 See Mahalanobis Committee Report, *op cit*, pp 19-20.

4 See Robert J Lampman: "The Share of Top Wealth-Holders in National Wealth: 1922-1956" (Princeton: Princeton University Press, 1962).

5 Three such Rounds have been reported so far: (i) Eighth (1953-54); (ii) Sixteenth (1960-61); and (iii) Seventeenth (1961-62).

6 See (i) 'All-India Rural Debt and Investment Survey: 1961-62: Tangible Wealth, Capital Expenditure and Capital Formation of Rural Households', *Reserve Bank of India Bulletin* (Volume XIX, No 6, June 1965), pp 807-866; and (ii) NCAER: 'All India Rural Household Survey' (1965); Volume III, pp 11-16. The reference year in the latter study is 1962.

7 See references to these estimates in NCAER: 'Urban Income and Saving' (1962), *op cit*, pp 58 and 67.

8 See the Report, *op cit*, p 21 and also Table 3.25 on p 83 therein.

9 *Ibid*, p 21.

10 See 'Estimates of Tangible Wealth in India', *Reserve Bank of India Bulletin* (Volume XVII, No 1, January 1963) pp 8-19. See also M Mukherjee and N S R Sastry: 'An Estimate of the Tangible Wealth of India' in "The Measurement of National Wealth" (Income and Wealth Series VIII London: Bowes and Bowes, 1959), pp 365-387.

11 M H Gopal: "Wealth Tax in India: Its Burden and Impact", New Delhi: Economic and Scientific Research Foundation, (1970), Tables 1A and 1B on pp 101-102.

12 See "Estimates of Incremental Capital-Output Ratio for the Indian Economy: 1950-51 to 1973-74" (Mimeograph, September 1969).

13 See Annual Plans: 1967-68, p 6.

14 The methods employed for this purpose are the same as adopted in the Reserve Bank study. Briefly, their estimates for 1960-61 are taken as given and the additional capital stock created during the subsequent years are adjusted for depreciation and for price changes by an appropriate investment cost Index for construction, which is derived from CSO's estimates of capital formation, *op cit*.

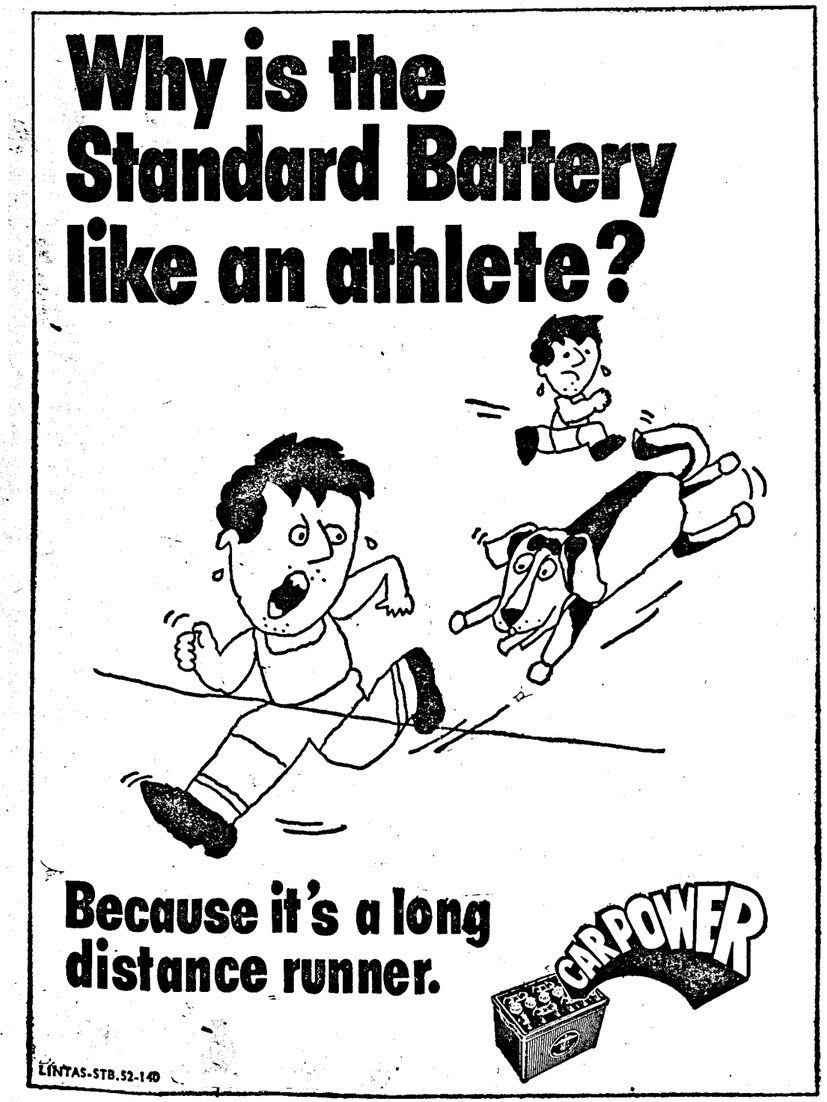
15 That is Rs 22,985 crores out of Rs 63,733 crores. See Table 7.

16 Here, it may be necessary to add a caveat. There is a distinction between wealth possession and wealth ownership of households. A substantial part of government and corporate wealth possession is financed by 'borrowings' from the household sector and that part should legitimately belong to the latter sector. However, in the present study, this distinction is not taken into account and the concept employed is one of 'possession'.

17 See NCAER: All India Rural Household Survey, Volume II (New Delhi, 1965), p 10 (Table 1).

18 See *Reserve Bank of India Bulletin*, January 1963, p 11.

19 This is observed from the fact that the number of assessees went up from 12,908 to 18,452 (i e, by about 43 per cent) and wealth assessed from Rs 723 crores to Rs 1,031 crores. But, thereafter, there has been steady but moderate increases. See M H Gopal: "Wealth Tax in India: Its Burden and Impact" (New Delhi: Economic and Scientific Research Foundation, 1970), pp 1-13 and also Tables IA and IB on pp 101-102.



Planning for Growth, Redistribution and Self-Reliance

A Comment

B Nanjundaiya
K C Majumdar

IN a recent paper[1] Suresh D Tendulkar has made certain comments on the Approach Paper[2] for the Fifth Five-Year Plan. This paper is a shorter version of the author's Discussion Paper[3] presented earlier in a seminar. The purpose of this note is to point out that his criticisms are not at all valid, being based on serious conceptual and numerical mistakes. It is necessary to highlight these issues so that misgivings, if any, regarding the technical and numerical details[4] that have gone into the preparation of the Approach Paper are removed.

Tendulkar has raised a number of issues, partly economic and partly political. This note concerns itself with only the former, and that too only with those points which are connected with the internal consistency and feasibility of the rate and pattern of growth envisaged in the Technical Note and the Approach Paper. The points can be briefly stated as follows:

(i) The growth rate in gross domestic product (GDP) at factor cost for sustaining the specified levels of final demand in 1978-79 should be at least 6 per cent per annum and not 5.5 per cent as postulated in the Approach Paper.

(ii) The required growth rate of foodgrain output in 1978-79 is underestimated by one per cent, that is, it should be 5 per cent instead of 3.99 per cent as in the Approach Paper.

(iii) The imports in the Approach Paper have been underestimated in the case of raw materials and intermediate products.

All these are futile criticisms, as would be evident from the following few paragraphs.

Growth of GDP

The author has claimed that, in order to satisfy the closed-loop consistency condition, the growth rate in GDP at factor cost should be at least 6 per cent per annum and not 5.5 per cent as postulated in the Approach document. He has arrived at this wrong conclusion due to some conceptual and methodological mistakes in his analysis. Firstly, he has adopted an incorrect definition of GDP; secondly, he has adopted an indirect method of estimating GDP by 'netting' out the gross estimates of disposable income, etc, and then adding a "higher" estimate of depreciation to his "net" estimates; thirdly, he has used a wrong methodology to estimate the depreciation. These points are further clarified below.

In his Discussion Paper, the author has defined GDP at factor cost as follows:

GDP = gross disposable income of the households + direct taxes
+ retained earnings of the corporate sector and the financial institutions
+ depreciation

In the above definition, depreciation has been counted twice because the gross disposable income of the household sector includes an element of depreciation. This obvious mistake was pointed out to the author in a seminar and he revised his definition later as follows:

GDP = net disposable income of the households + direct taxes
+ retained earnings of the corporate and co-operative sectors and those of the financial institutions
+ net retained surplus of the Central and state enterprises
+ depreciation

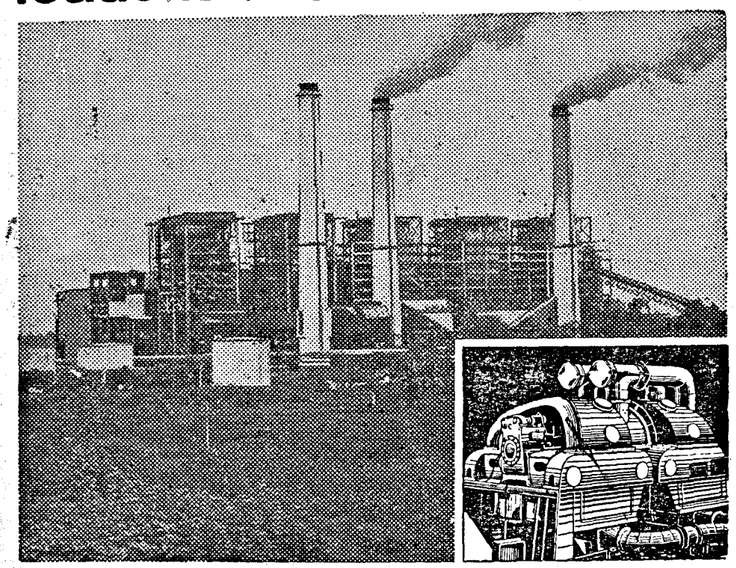
This latter definition, which appears in his paper, also suffers from certain serious omissions, namely, income accruing to the government sector other than Central and state enterprises, inter-sectoral current transfers from the government to the private sector as well as net factor income from abroad. The two annexures given in the chapter on "Investment and Savings" of the Draft Fifth Five-Year Plan[5] provide all the details of disposable income, savings, inter-sectoral current transfers, etc, of the various sectors at 1972-73 prices.

Apart from these omissions, the author, in order to derive the estimates of net disposable income of different sectors, has made his own assumptions for estimating the physical assets and the depreciation of the household sector. Similarly, he has estimated the component of direct taxes, net retained surplus of Central and state government enterprises, etc, for 1978-79 on his own assumptions from the data for the whole five-year period of the Fifth Plan given in the Approach Paper. The utility of such an indirect way of estimating the gross domestic product is highly questionable, especially when the estimates of gross disposable income, etc, are obtainable from the Technical Note and the Approach Paper and were also actually obtained and used by the author in his Discussion Paper. Perhaps the purpose was to use his own estimate of "high" depreciation so that his estimate of the GDP for 1978-79 becomes higher than the one provided in the Technical Note. In order to achieve this purpose, he has also adopted a wrong methodology to obtain the depreciation rate for 1978-79. He has derived a depreciation rate of 7 per cent at 1960-61 prices by extending the time trend of the past rates which are based on the data on depreciation and GDP at 1960-61 prices, but has applied the same to the GDP of 1978-79 at 1971-72 prices. This is absolutely incorrect. If he had based all his computations at constant prices, he would have arrived at a much lower value of depreciation than his present estimate. Thus, the omissions and commissions of the author have led him to wrong results and incorrect conclusions regarding the growth rate in GDP; had he estimated all the above components of the GDP correctly by adopting the correct definition of GDP and the proper methodology, and also used gross figures, he would not have found any closed-loop inconsistency in the macro-model for 1978-79 and at the same time would have obtained the same GDP for 1978-79 as in the Technical Note giving a growth rate of 5.5 per cent.

Growth of Foodgrain Output

The author has claimed that a growth rate of 5.5 per cent per annum in the gross domestic product, when taken together with the redistribution of consumption in favour of the bottom 30 per cent of the population, would require a 5 per cent per annum growth in foodgrain output instead of 3.99 per cent as in the Approach Paper.

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Santaldih set is for meeting requirements of power of metropolitan city of Calcutta and districts of Purulia, Birbhum and Murshidabad and some other areas.
The Chandrapura set is for feeding power, among others, to Calcutta city and Bokaro Steel plant.
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Thermal power stations at Parli in Maharashtra and Basin Bridge in Tamil Nadu are already rendering service with equipment supplied from Bhopal.
Thermal stations at Namrup in Assam, Ukai and Gandhi Nagar in Gujarat, Korba and Amarkantak in Madhya Pradesh and Nuclear power station at Kalpakkam in Tamil Nadu and Narora in Uttar Pradesh are also being equipped with Bhopal-built machines.

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He got a higher growth rate in foodgrain than that in the Approach Paper mainly due to gross errors in his consumption proportions, particularly for the top 30 per cent of the population, and also partly due to considering only three highly aggregate expenditure classes, that too differently in the base year (1973-74) and the terminal year (1978-79). These are brought out in the following paragraphs.

The author has estimated foodgrain consumption by (i) considering three expenditure classes corresponding to three fractile groups (0-30, 30-70 and 70-100 per cent) separately for 1973-74 and 1978-79, (ii) using foodgrain consumption proportions in these expenditure classes based on the data of 9th Round of NSS in one exercise, and the average of a few NSS Rounds in another exercise although the usefulness and justification for such averaging is not made clear. The foodgrain consumption proportions obtained by him from the data of 9th Round of NSS for three fractile groups in 1973-74 and 1978-79 (3D) are not presented in his paper. The same for fractile group 70-100 per cent are reproduced here in the Table from his Discussion Paper. The expenditure class limits (at 1971-72 market prices) corresponding to these fractile groups are also given in this Table. It may be seen from the Table that his foodgrain consumption proportion figures for the top 30 per cent of the population (fractile group 70-100 per cent) for 1978-79 (3D) are higher than the corresponding proportions for 1973-74, both for rural and urban areas, which can never be true. This is because (i) the foodgrain consumption proportions of the original data, whether or not converted to 1971-72 prices, gradually fall with the higher expenditure classes, so that (ii) average foodgrain consumption proportions for people lying above a higher expenditure level will be always less than that for people lying above a lower expenditure level. This follows from simple rule of weighted averaging as well as from commonsense. But, on the contrary, Tendulkar's foodgrain consumption proportion of 0.3537 (see Table) for the top 30 per cent of the rural population lying above the expenditure level of Rs 63.82 in 1978-79 (3D) is higher than that (namely 0.3311) for population lying above a lower expenditure level of Rs 56.50 in 1973-74. If, however, these are computed correctly they would be 0.2925 in 1978-79 (3D) and 0.3170 in 1973-74 (given in parenthesis in the Table) which are in perfect order. His foodgrain consumption proportions for the top 30 per cent of the population in the urban areas are also similarly wrong. It may be also mentioned that the foodgrain consumption proportions for the top 30 per cent of the population obtained by the author on the basis of the average of a few rounds of NSS data for the year 1978-79 (3D) are also similarly higher than the corresponding figures in 1973-74 and therefore incorrect.

TABLE: FOODGRAIN CONSUMPTION PROPORTIONS TO TOTAL PRIVATE CONSUMPTION, BASED ON NSS DATA OF 9TH ROUND (1955) CONVERTED TO 1971-72 MARKET PRICES FOR THE FRACTILE GROUP 70-100 PER CENT, WITH THE CORRESPONDING LOWER EXPENDITURE LIMIT

(1)	Rural		Urban	
	1973-74 (2)	1978-79 (3D) (3)	1973-74 (4)	1978-79 (3D) (5)
(1) Lower expenditure limit (Rs) of the fractile group 70-100 per cent	56.50	63.82	70.74	80.04
(2) Foodgrain consumption proportion	0.3311 (0.3170)	0.3537 (0.2925)	0.1771 (0.1765)	0.1859 (0.1660)

Note: Foodgrain consumption proportions given in parenthesis are estimated by us, while the others are those of Tendulkar provided in his Discussion Paper.

Besides the obvious mistakes in his foodgrain consumption proportions for the fractile groups 70-100 per cent for 1978-79 (3D), the foodgrain consumption proportions for the other two fractile groups furnished by the author for the two years in the Discussion Paper also appear to be incorrect.

Tendulkar has obtained a higher estimate of foodgrain consumption demand in 1978-79 mainly by using the incorrect and higher foodgrain consumption proportions for the fractile group 70-100 per cent. If one uses the correct foodgrain consumption proportions for the three fractile groups, the estimates of foodgrain consumption in 1973-74 and 1978-79 would result in a growth rate of 3.76 per cent in foodgrain demand as against 4.52 per cent obtained by the author.

The growth rate of 3.76 per cent in foodgrain demand is on the basis of estimates of demand at market prices using the actual data of 9th Round of NSS converted to 1971-72 prices and aggregated to three expenditure classes corresponding to three specific fractile groups separately for 1973-74 and 1978-79 (3D). One would get almost the same growth rate (3.8 per cent) in foodgrain demand even by using the consumption proportion data of the Technical Note aggregated to the same three expenditure classes but considering the estimates at factor cost. If, on the other hand, one uses the actual data of the 23rd Round of NSS (1968-69) on which the consumption proportions data of the Technical Note are mainly based and estimates the foodgrain demand at 1971-72 market prices in the same way as above, he would get a growth rate of 3.78 per cent in foodgrain demand. The above results show that the growth rate in foodgrain demand obtained either at market price or at factor cost would practically be the same. It also reveals that the essential adjustments made in NSS data for the Technical Note, in keeping with the official information on total availability of different commodities, has practically no effect on the growth rate in foodgrain consumption demand. It may be mentioned here that foodgrain consumption in particular is overestimated in practically all Rounds of NSS.[6,7] The slight difference between the growth rate in foodgrain demand as per the Technical Note and what would be obtained by the data of the author (when correctly used) is attributable to the use of different number of expenditure classes, viz, three classes by the author and 27 in the Technical Note.

There are also conceptual mistakes in the author's estimates. He has used two different groups of three expenditure classes, one for 1973-74 and the other for 1978-79, corresponding to three fractile groups in these years; this is not correct, because conceptually we can assume that the foodgrain consumption proportion in a fixed expenditure class would remain invariant over time for people lying in the same expenditure class with no change in price or food habits. By considering different groups of expenditure classes for 1973-74 and 1978-79 Tendulkar has, in effect, considered different foodgrain consumption proportions in 1973-74 and 1978-79 for the same expenditure class.

For example, in 1973-74 (rural) the foodgrain consumption proportion for people above the lower expenditure limit Rs 63.82 is 0.3311, whereas in 1978-79 (3D) for people above this same expenditure limit the foodgrain consumption proportion is 0.3537 according to his calculation. He should have used the same three expenditure classes for 1978-79 (3D) as in 1973-74 along with the corresponding foodgrain consumption proportions in these classes.

In such a case he would have got (using his foodgrain consumption proportions of 9th Round for 1973-74) a growth rate of only 3.7 per cent in foodgrain demand.

It is thus very clear that Tendulkar's conclusion that a higher rate of growth in foodgrain output is necessary to achieve redistribution of consumption in favour of the bottom 30 per cent of the population is absolutely baseless.

Estimate of Imports

The author has attempted to show that total imports of goods as well as the import requirement of intermediate inputs, particularly in some machinery sectors, have been underestimated in the Approach Paper, and he has attributed the underestimation to the use of the import co-efficients matrix. He has also stated that the extent of import substitution envisaged in some key sectors is unrealistic. He has, however, based his conclusion on such part of past information as happens to be convenient for his purpose. An appropriate analysis of past data on imports would not support his findings, as would become clear from the discussion below.

The author has claimed that the estimates of imports with a growth rate of only 3.5 per cent, would not be sufficient for sustaining the growth rate of 5.5 per cent in GDP and 7.5 per cent in fixed investment. This is not justified. Estimates of imports in the Approach Paper taken as percentages of GDP are quite in conformity with the past trend. For example, imports as a percentage of gross domestic product at factor cost has been showing a downward trend from 7.84 per cent in 1960-61 to 4.50 in 1970-71, whereas imports of goods estimated for 1973-74 and 1978-79 (as in the Technical Note) works out to 4.51 per cent and 4.12 per cent, respectively, of the GDP at factor cost, both in terms of 1971-72 prices. Also the share of imported raw materials and intermediate manufactures has risen from 43.2 per cent in 1960-61 to 53.7 per cent in 1970-71 and to 58.7 per cent in 1971-72, whereas this share has been further estimated to increase to 63.6 per cent in 1973-74 and to 72.7 per cent in 1978-79 which are consistent with the additional requirements of imported inputs needed for accelerated growth in domestic production of various products, including capital goods.

The author has also stated that the imported requirements of intermediate inputs for certain important machinery industries had been substantially underestimated. This criticism also has no basis because of the erroneous analysis of the author. The machinery items which had been taken by the author to correspond to our input-output sector does not cover all the products covered by our sector (refer Table IV.10, page 155 of the author's Discussion Paper). For instance, he has taken 'Agricultural Tractors' to represent the whole Input-Output sector of "Agricultural Implements" which actually covers many items of agricultural implements in the organised as well as unorganised sectors of production. Similarly, he has taken two items (air-conditioners and refrigerators, domestic and industrial) to represent the whole sector of "Office and domestic equipment". There is not only omission of so many other items like typewriters, sewing machines, calculators, etc, but also wrong inclusion of industrial refrigerating and air-conditioning plants in this sector. Again the input-output sector "Motor Cycles", etc, includes bicycles also, whereas the author has taken into account only motor cycles, scooters, etc, excluding bicycles. Similarly the sector "Rail equipment" includes all types of rail equipment like locomotives, passenger coaches, etc, while the author has taken "Railway wagons" alone to represent this sector. The import co-efficients in the input-output table represent the imported inputs of all the products of a particular sector and if this is compared with the import content of just one or a few items of that sector it would be definitely a defective and misleading analysis of the import structure, and it is no wonder that the author derives wrong conclusions. It may be mentioned that over the past one decade, the indigenous content of almost all the machinery and engineering industries has been steadily increasing and there has been a corresponding decrease in the import content of these industries. This trend is also expected to continue in future. There is, therefore, no justification for assuming that the import content of any particular industry should continue at the same level as in the past years.

The author has also commented that the degree of import substitution envisaged in certain key sectors has been too drastic. This criticism is not valid because the import substitution envisaged has been conditioned and analysed in terms of the feasibility of attaining the necessary domestic production levels in these sectors.

Notes

1 Tendulkar, S D: "Planning for Growth, Redistribution, and Self-Reliance in the Fifth Five-Year Plan", *Economic and Political Weekly*, Vol IX, Nos 1, 2 and 3, January 1974, pp 27-40 and 63-80.

2 Planning Commission: "Approach to the Fifth Plan 1974-79", Government of India, January 1973.

3 Tendulkar, S D: "Planning for Growth, Redistribution, and Self-Reliance in India's Fifth Five-Year Plan: An Evaluation", Discussion Paper No 93, Planning Unit, Indian Statistical Institute, New Delhi, November 1973.

4 Perspective Planning Division: "A Technical Note on the Approach to the Fifth Five-Year Plan of India", Planning Commission, Government of India, New Delhi, April 1973 (under print).

5 Planning Commission "Draft Fifth Five-Year Plan" Vol I, Government of India, 1973.

6 Radhakrishnan, P N: "Trends in Private Consumption Expenditure in India — 1954-55 to 1968-69" (mimeo); paper presented at the Seminar on Income Distribution held by the Indian Statistical Institute.

7 Chatterjee, R M and Murthy, G S: "Estimates of Final Consumption Expenditure of the Households". *Journal of the Indian Statistical Service Association*, Vol 8, 1973, pp 38.

TAMIL NADU ELECTRICITY BOARD

Tender Extension Notice IDA/TNEB/1 and IDA/TNEB/2

The due dates and time for submission of tenders against the above global Tenders, relating to the Third transmission and distribution project financed by IDA are hereby extended as shown below:

Tender No.	Name of Tender	Original Due Date	Extended Due Date
1) IDA/TNEB/1	Supply of 75 MVA & 50 MVA Auto Transformers with on load tap change gears.	**27.4.74** 12 Noon IST	**27.5.74** 12 Noon IST
2) IDA/TNEB/2	Supply of E.H.T. switchgear, current Transformers and Potential Transformers.	29.4.74 12 Noon IST	**29.5.74** 12 Noon IST

The tenders will be opened at 3.30 PM I.S.T. on the respective extended dates.

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Technical (Electrical)

Reply

Suresh D Tendulkar

I AM grateful to Nanjundaiya and Majumdar (N-M for short) for their attempt to salvage three very specific numerical results of the Technical Note from my criticisms in [1] and [2]. They intend to show that my "criticisms are not at all valid, being based on serious conceptual and numerical mistakes".

I consider their attempt unconvincing for the following reasons. First, they do not even attempt to refute certain most basic criticisms besides many other substantive and classificatory points I made in [1] and [2]. They confine themselves, in their own words, only to "those points connected with the internal consistency and feasibility of the rate and pattern of growth". Within this very narrow spectrum, they do not try to refute substantive methodological points I raised but only attempt to contest three very specific numerical results of my paper. Even here, instead of meeting my contentions regarding the quantitative magnitudes with empirical counter-evidence, they unfortunately adopt a very counter-productive method of finding mostly non-existent faults with my computations and draw unwarranted and unsubstantiated conclusions on this tenuous basis. As a consequence, their observations have produced an unintended result, *viz*, instead of removing "the misgivings regarding the technical and numerical details that have gone into the preparation of the Approach Paper", they succeed in creating more misgivings that are bound to persist till the full details of the Technical Note are published. Let me then substantiate these points.

It is essential to emphasise to start with that N-M have not even attempted to refute my major basic criticisms (besides many other substantive points) regarding the appropriateness of the institutional specification of the model ([2], Part I, Section III, pp 29-33), the serious limitations of the exercises even within the adopted framework ([2], Part I, Section IV, pp 36-38) as well as the causes of and unwarranted conclusions drawn from the alleged "invariance phenomenon" ([2], Part II, Section V, pp 70-74; also see [3]) let alone the formidable problems connected with the policy-frame ([2], Part II, Section VI; also [1], Section VII) all of which appear, among other things, to have forced the Planning Commission to retreat from the levels of social objectives set out in the Approach document and make them more vague and wishy-washy in the Draft Fifth Plan [4].

N-M have taken up for examination my three numerical conclusions relating to (i) closed-loop inconsistency ([2], Part I, Section III, pp 33-34). (ii) demand for foodgrains ([2], Part II, Section V, pp 63-65) and (iii) estimation of import-requirements ([2], Part II, Section V, pp 65-70). Let us scrutinise their points in that order. I also wish to raise a few further substantive issues in connection with the Technical Note in the Process.

Closed-Loop Inconsistency

N-M claim that I have arrived at the closed-loop inconsistency in the Planning Commission's exercise "due to some conceptual and methodological mistakes" in my analysis. Let us examine their arguments.

First, they point out double-counting of depreciation in [1]. This was duly acknowledged and corrected in the published version [2] without changing my conclusions. Hence, it is not necessary to consider this point.

Second, in their view, I have adopted incorrect definition of GDP by omitting (a) income accruing to the government sector other than state and Central enterprises (b) inter-sectoral current transfers as well as (c) net factor income from abroad. Let me start by observing that (c) forms part GNP and not GDP as the authors claim. This is a conceptual error on their part. Next, I did not omit (b) as I stated very clearly in [1] (p 162): "Instead of making assumptions regarding the detailed adjustments [including items (b) and (c) above as is clear from relations (5) and (6) on pp 161-62 of (3)] to derive the private income from NDP at factor cost, we assume that the private income ... equals NDP at factor cost", because "in the Indian context, the private income and NDP at factor cost have been fairly close to each other over the years 1960-61 to 1968-69" (p 162 of [1]). If N-M feel that this relationship has changed in recent years, it is for them to establish it but they certainly cannot catch me for omission. I omitted component (a) from my calculations because I thought it to be quantitatively not very significant but its inclusion can be seen to strengthen my conclusion of inconsistency. Thus, the omissions N-M point out from the definition of GDP adopted by me are either not correct, or, in one case, strengthen my conclusions.

Thirdly, N-M claim (a) that I have made (my) own assumptions for estimating the physical assets and the depreciation of the household sector; and (b) that I have "estimated the component of direct taxes, net retained surplus of the Central and State Government enterprises, etc, for 1978-79 on [my] own assumptions from the data for the whole five-year period." As regards (a), I cannot claim originality for the assumptions as they were based on the data published by the Central Statistical Organisation (CSO) and the source was clearly cited [2] (p 38). As regards (b), I had no alternative except "making certain plausible assumptions regarding the missing information" when "neither the Technical Note nor the Approach document" furnished "complete information for checking the closed-loop consistency" ([2], Part I, p 33). Wherever I had to make these assumptions, I have done so on the basis of certain past trends and argued out their plausibility as well as the fact that they were being favourable to the Planning Commission (see [1], pp 165-66). Let me emphasise also that they are *identical* in the discussion paper [1] and in [2]. N-M are certainly not right in maintaining that "the estimates of gross disposable income, etc, are obtainable from the Technical Note and the Approach Paper and were actually obtained and used by the author in his Discussion Paper". If they find my assumptions implausible or unreasonable, it is their responsibility to point out why they think so and produce corroborative empirical evidence. They have not done this and hence the points they make in this context cannot be treated as established.

Fourthly, N-M claim that I have "adopted a wrong methodology to obtain the depreciation rate for 1978-79 ... by extending the time-trend of the past rates which are based on the data on depreciation and GDP at 1960-61 prices". Let us note to start with that the direction of the trend would be invariant to the price base be it 1960-61 or 1971-72. Moreover, from the CSO White Papers on National Income it is easy to verify that depreciation as a proportion of GDP (both at 1971-72 prices) rose from 4.54 per cent in 1960-61 to 6.04 per cent in 1971-72. Considering this trend and consi-

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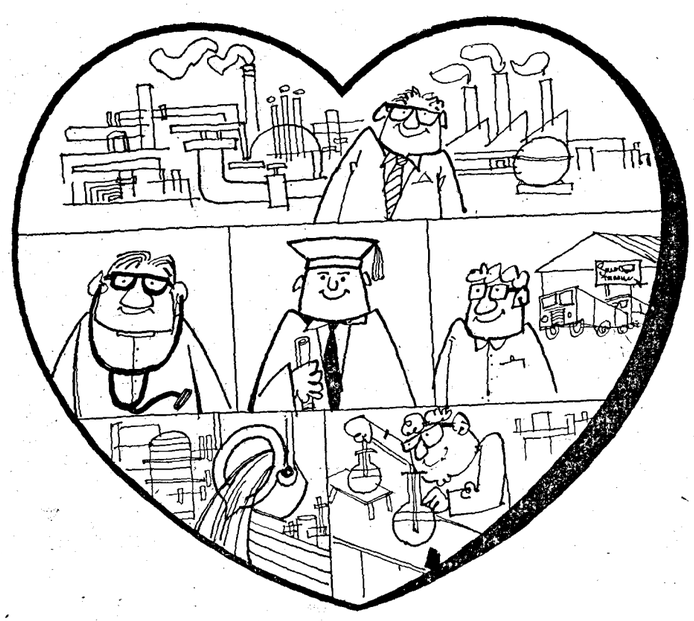
Has special schemes of assistance to industries in backward areas, small-scale industries, rural medical practitioners, technocrats, transport operators, etc. Also a liberalised scheme for small-scale industries under which assistance upto 90% of the fixed assets is granted. Foreign exchange loans under IDA Line of Credit up to Rs. 30 lakhs are also available. Total assistance sanctioned upto March 31, 1974 — about Rs. 88 crores.

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TABLE 1: PROPORTION OF TOTAL EXPENDITURE ON CEREALS AND CEREAL SUBSTITUTES IN TWELVE FRACTILE GROUPS IN SELECTED ROUNDS OF NATIONAL SAMPLE SURVEY

Fractile Group (Per Cent)	Rural				Urban			
	Round 9 May 1955 to Nov 1955	Round 16 July 1960 to June 1961	Round 18 Feb 1963 to Jan 1964	Round 22 July 1967 to June 1968	Round 9 May 1955 to Nov 1955	Round 16 July 1960 to June 1961	Round 18 Feb 1963 to Jan 1964	Round 22 July 1967 to June 1968
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
0–5	0.5707	0.5701	NA	0.5828	0.5155	0.5377	NA	0.4723
5–10	0.5774	0.5725	NA	0.5875	0.4938	0.4564	NA	0.4391
0–10	0.5746	0.5718	0.5839	0.5855	0.5035	0.4909	0.4787	0.4531
10–20	0.5038	0.5650	0.5527	0.5737	0.4242	0.4144	0.4264	0.4207
20–30	0.5050	0.5309	0.5252	0.5602	0.3822	0.3985	0.3852	0.3907
30–40	0.5065	0.5256	0.5120	0.5335	0.3481	0.3332	0.3558	0.3631
40–50	0.4700	0.4930	0.4854	0.5202	0.2994	0.3512	0.3300	0.3271
50–60	0.4462	0.4730	0.4629	0.5045	0.2848	0.3029	0.2841	0.2825
60–70	0.3972	0.4232	0.4371	0.4847	0.2473	0.2672	0.2643	0.2443
70–80	0.3524	0.3846	0.4037	0.4451	0.2068	0.2224	0.2318	0.1893
80–90	0.3349	0.3414	0.3557	0.4002	0.1690	0.1754	0.1719	0.1452
90–100	0.2240	0.2366	0.2519	0.3018	0.1075	0.1109	0.0943	0.0857
90–95	0.2921	0.3055	NA	0.3584	0.1359	0.1484	NA	0.1118
95–100	0.1825	0.1974	NA	0.2668	0.0907	0.0887	NA	0.0694
0–100	0.3700	0.3919	0.4037	0.4544	0.2255	0.2372	0.2255	0.2507

Sources: Rounds 9 and 16: Mahalanobis Committee, Vol II.
Round 18: N Bhattacharya and G S Chatterjee.
Round 22: Quick tabulation.

dering the postulated acceleration in the rate of growth of gross investment, 7 per cent rate of depreciation adopted in [2] for 1978-79 would still appear to be on the conservative side and cannot certainly be regarded as being on the "high" side as N-M claim. It is, therefore, difficult to understand the unsubstantiated assertion of N-M that *if I had based all my compilation at constant prices (?) I would have arrived at a much lower rate of depreciation. In fact, since the rate of depreciation at 1971-72 prices has been observed to 6.04 per cent in 1971-72, the rates of depreciation adopted in the Draft Plan of 5.49 per cent for 1973-74 and 5.68 per cent for 1978-79 at 1972-73 prices (derived from [4], Volume I, pp 51-52) appear definitely on the lower side not only compared to the trend but even on the basis of the latest available estimate for 1971-72. Moreover, even granting a weak data base of the depreciation estimates put out by the CSO, when all other calculations in the Approach document (as also the Draft Fifth Plan), are made using the CSO estimates, the rationale for rejecting only the depreciation estimates of CSO is not at all clear.*

It can thus be seen from the foregoing discussion that the four points raised by N-M do not *in any way* invalidate my calculations of closed-loop inconsistency presented in the Appendix of [2] (Part I, p 38).

I may take this opportunity to clarify briefly the rationale behind the calculations under consideration. The closed-loop consistency calculations were designed to answer the following question: given (a) the savings assumptions made in the Approach document and (b) the other required information (such as the rate of depreciation, the rate of growth of direct taxes) consistent with the observed trends in recent times, is the income-generation resulting from the gross output-mix (that is derived from the prespecified levels of sectoral final demand through the open Input-Output framework) sufficient to sustain the final demand vector? If the income generated turns out to be not sufficient, it means that the prespecified final demand vector is unattainable on *a priori* grounds and so are the social objectives incorporated in the various elements of final demand. As I emphasised in [2] (p 33), the consistency condition is not conceived in purely arithmetical terms but in terms of certain observed past trends. And it is in this sense that my observations in the last but one paragraph regarding the plausibility of the rate of depreciation have to be considered. N-M appear to be incorrectly interpreting the closed-loop consistency in purely arithmetical terms. I may simply conclude by repeating what I stated in [2], (p 36). "... in the context of this [numerical closed-loop] inconsistency, we have highlighted the trade-offs between the accepted social objectives, though more substantively, the same trade-offs would arise if the domestic savings assumptions postulated in the Approach document prove overambitious and difficulties in their transformation into an appropriate composition of investment prove insurmountable".

ESTIMATION OF FOODGRAINS DEMAND

Here, N-M attempt to dispute my claim that the Planning Commission has underestimated the rate of growth of foodgrains demand under the postulated redistribution. According to them I have "got a higher growth rate in foodgrain than that in the Approach Paper mainly due to gross errors in [my] consumption proportions, particularly for the top 30 per cent of the population, and also partly due to considering only three highly aggregate expenditure classes, that too differently in the base year (1973-74) and the terminal year (1978-79)".

While admitting myself to be capable of committing gross errors in general, I wish to submit humbly to N-M that in this particular context it is they who have committed gross errors partly due to their lack of careful reading of Appendix-3 (and p 66) of [1] and partly due to their apparent neglect of the effect of redistribution on consumption proportions which seems to have escaped their attention in their attempt to find faults with my computations.

First, N-M are incorrect in presuming that I have estimated foodgrains consumption by considering three highly aggregated expenditure classes corresponding to three fractile groups. If they had read Appendix-3 of [1] carefully, they would have realised that I

We are silvern going on golden...

In our national endeavours, beginning independence, to build a better society we have contributed our mite to a highly successful present.

Now a brief on our growth...

The idea crystallises...A score and five years ago what crystallised as a small sugar factory—a daily crushing capacity of 600 tonnes—at Venkatarayapuram in Tanuku, Andhra Pradesh, today forms a corporate complex. Manufacturing such diverse products as sugar, industrial alcohol and organic chemicals, fertilisers, and inorganic chemicals. Soon, in pharmaceuticals and plastics. The vision of the men with mission...now a reality. Spreading prosperity around.

Pioneering spirit...

What has been achieved hitherto is only a part story. Carrying on with the traditional spirit, the present managerial force at the helm is planning ahead in the allied and a wider field. To contribute towards national growth.

Social responsibility...

Equally conscious of social responsibility, this complex has launched upon many social benefit schemes. Such as housing colony with recreation facilities, educational and medical benefits for the working force, etc.

Manufacturing facilities...

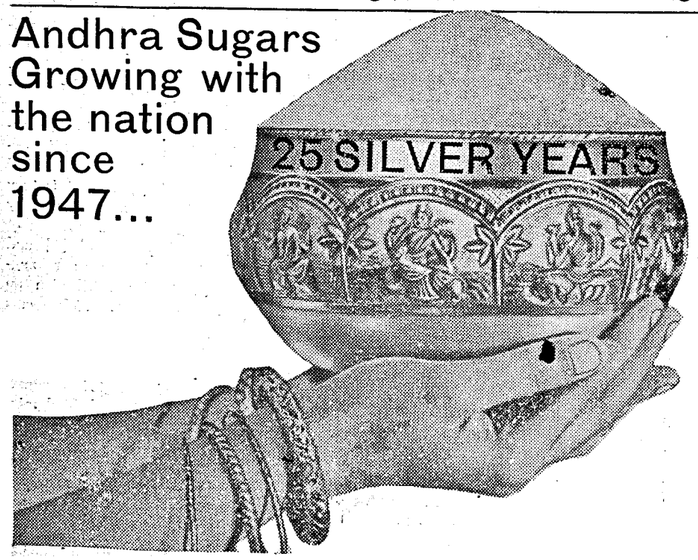
Andhra Sugars Corporate Group have manufacturing facilities at Tanuku and at Kovvur. The group's products include sugar, industrial alcohol, denatured spirit, acetic acid, ethyl acetate, acetic anhydride, superphosphate, sulphuric acid, chlorine, hydrochloric acid, caustic soda—lye, solid and flakes, chlorosulphonic acid.

Members of the corporate group:

- The Andhra Sugars Ltd.
- Sree Akkamamba Textiles Ltd.
- The Andhra Farm Chemicals Corporation Ltd.
- Andhra Foundry & Machine Co., Ltd.
- Hindustan Allied Chemicals Ltd.
- Sathyanarayana Spinning Mills Ltd.

Andhra Sugars ... Growing with the nation. Glowing with prosperity

Andhra Sugars Growing with the nation since 1947...



THE ANDHRA SUGARS LIMITED
Venkatarayapuram
Tanuku,
Andhra Pradesh

ADWAVE-AS-174

TABLE 2: PROPORTION OF TOTAL EXPENDITURE ON FOODGRAINS AT MARKET PRICES BASED ON THE 9TH ROUND OF NSS

	Bottom 30 Per Cent	Middle 40 Per Cent	Top 30 Per Cent	Total
(*a*) *Rural Population*				
(1) 1973-74	0.5688	0.4962	0.3311	0.4215
(2) 1978-79 (3C) without redistribution	0.5567	0.4679	0.3024	0.3953
(3) 1978-79 (3D) with redistribution	0.5073	0.4521	0.3537	0.4209
(*b*) *Urban Population*				
(1) 1973-74	0.4749	0.3333	0.1771	0.2651
(2) 1978-79 without redistribution	0.4464	0.3068	0.1617	0.2444
(3) 1978-79 (3D) with redistribution	0.3852	0.2868	0.1858	0.2568

Source: (2) Table VII 5, p 152, panel (a).

based my alternative exercises on the data for 12 fractile groups (the bottom and the top decile each divided into two 5 per cent groups and the remaining eight groups according to deciles) for the rural and the urban population separately.

There appears to be some misunderstanding regarding the method of projection used by me. Let me comment on the three alternatives available in this context and my choice in particular. I would illustrate with reference to the 9th Round of NSS for which N-M have supplied alternative estimates for the top 30 per cent of the population.

Notation:

Let y_i and f_i denote per capita total expenditure and per capita expenditure spent on cereals and cereal substitutes respectively for the ith subgroup of the population. This subgroup may be per capita expenditure class [methods (A) and (B) below] or the fractile group [method (C) below].

Definition:

(1) *Basic Engel Curve* used for projection is defined as a smooth curve passing through observed (y_i, f_i). This is derived for the rural and the urban population separately in all the methods.

(2) *Weighting Scheme*: the proportion of total expenditure spent on cereals and cereal substitutes for the ith subgroup is weighted by the appropriate share of the ith subgroup in total consumer expenditure and then aggregated to arrive at the proportions for the three broad groups of the population namely, bottom 30 per cent, middle 40 per cent and top 30 per cent. This weighting scheme is common to all methods.

(3) Case (3C) denotes the *status quo* in expenditure distribution whereas case (3D) denotes the redistribution postulated in the preferred variant of the Approach document.

Method (A): Adjust the observed (y_i, f_i) for the 9th Round of NSS (May-November 1955) to 1971-72 prices (the price base used in the Approach document) and then derive the basic Engel Curve in terms of 1971-72 prices. Use this basic Engel Curve along with the average per capita total expenditure levels (at 1971-72 prices) of different subgroups of the population for 1973-74 and 1978-79 [cases (3C) and (3D) separately] to derive the per capita expenditure (and hence the proportion of total expenditure spent) on cereals and cereal substitutes for 1973-74 and 1978-79 [cases (3C) and (3D)].

Method (*B*): Use the observed data for the 9th Round of NSS (May-November 1955) on (y_i, f_i) to derive the basic Engel Curve at 1955 prices. Convert to 1955 prices, the data on the average total expenditure per capita for each subgroup in the population for 1973-74 and 1978-79 [cases (3C) and (3D)]. Use the basic Engel Curve to derive the growth rate of demand over the five year period in the two cases separately. Apply this growth rate to the base year (1973-74) figure on the demand for cereals and cereal substitutes (at 1971-72 prices) to derive the projected demand for 1978-79 [cases (3C) and (3D)] at 1971-72 prices.

Method (*C*): Assume that the fractile-group-specific proportion of total expenditure spent on cereals and cereal substitutes observed for the 9th Round of NSS (May-November 1955) is applicable to the fractile-group-specific per capita total expenditure levels in 1973-74 (with *status quo* size distribution) to arrive at the basic Engel Curve for 1973-74 (at 1971-72 prices). Use this curve along with the projected fractile-specific levels of per capita total expenditure for 1978-79 [case (3C) and (3D)] to project the per capita expenditure (and thence the proportion of total expenditure spent) on cereals and cereal substitutes for each fractile group.

I may note that method (A) has been used by N-M, method (B) by Manne and Rudra [6] whereas I have adopted method (C). Let me hasten to add that I am fully aware of the unconventional nature of the assumption made in method (C) on the basis of the received theory of consumer behaviour. Its justification lies in the expediency permitted by certain observed regularities as would be clear shortly.

When we observed the fractile group-specific proportion of total expenditure spent on cereals and cereal substitues for as far apart rounds in time as the 9th (May-November 1955) and the 22nd (1967-68), we find the following regularities: (1) the overall proportion of total expenditure spent on cereals and cereal substitutes has been increasing over time; (2) fractile-specific proportions appear to be either increasing or remain stable over time for each fractile group of the rural population; (3) in the urban population for all the fractile groups except the top and the bottom decile (for which proportions seem to be declining) the proportions appear to have remained fairly stable; (4) in times of rising prices of foodgrains (which have been more common) proportions seem to be increasing especially for the bottom 30 per cent of the population. These regularities have been observed on the basis of fractile-group-specific proportions for all the available rounds. We have presented in Table 1 the results for four selected rounds to illustrate the regularities. It is on the basis of these empirically observed regularities that method (C) was adopted. Also, the rationale for averaging the fractile-group-specific proportions over various rounds in the variant (R) in [2] is based on the observed regularity (4) mentioned above, *viz*, it indicates a representative experience of consumer behaviour indicating their average adjustment to different sets of relative prices prevailing over the different rounds of NSS.

Notice that method (A) requires two price adjustments (one for y_i and the other for f_i), method (B) requires only one price adjustment (for y_i) whereas method (C) does not require any explicit price adjustment. It is well known that over time, changes in *relative* prices take place that affect not

only the real total expenditure per capita but also the consumer demand for individual commodity groups. Moreover, the *extent* of change in relative prices is also known to differ at different *levels* of total expenditure per capita. As such, price adjustments present many difficult problems besides being based on a shaky information base. In addition, this also brings out the fact that the mechanical conversion of the original data at 1968-69 prices to 1971-72 prices would completely neglect the adjustment of the consumers to changes in relative prices between the two periods and would not necessarily represent the behaviour of the consumers at relative prices prevailing in 1971-72. The justification for method (C) is derived from the fact that being based on observed regularities, it possesses the advantage of not requiring explicit price adjustment on the basis of shaky data.

Specifically with reference to the point raised by N-M, by adopting the fractile-group-specific proportions of the 9th Round of NSS, we are certainly erring on the conservative side in estimating the demand for cereals and cereal substitutes especially for the rural population as is very clear from comparing the proportions for the 9th and the 22nd Rounds from Table 1. This error on the conservative side is all the more so for the top 30 per cent of the population for which N-M are getting a figure substantially lower than mine for 1978-79(3D) in their table. Notice that for the top 30 per cent of the urban population, their proportion for 1973-74 is almost identical to mine [see their Table column (4), lines 3 and 4]. For the rural population also the proportion that they have arrived at for 1973-74 [see their Table, column (2), lines 3 and 4] is not very different from mine. Their price adjustments [following method (A) listed above] may have yielded a lower estimate of the proportion spent on cereals and cereal substitutes.

In the context of foodgrains demand, N-M note that my foodgrains consumption proportion figures for the top 30 per cent of the population for 1978-79 (3D) are higher than the corresponding proportions for 1973-74, both for the rural and urban areas: This, the authors assert, "can never be true" and this is my so-called "gross error". The assertion of N-M that the proportion spent on foodgrains cannot go down when the overall average per capita expenditure level increases from 1973-74 to 1978-79 is correct only if the size

TABLE 3: EFFECT OF POSTULATED REDISTRIBUTION ON THE PER CAPITA CONSUMER EXPENDITURE OF THE TOP 30 PER CENT OF THE POPULATION

Fractile Group (Per Cent)	Rural: Monthly Total Expenditure Per Capita (Rs) 1973-74	Rural: Monthly Total Expenditure Per Capita (Rs) 1978-79 (case 3D)	Rural: Index for 1978-79 (3D) with 1973-74 =100	Urban: Monthly Total Expenditure Per Capita (Rs) 1973-74	Urban: Monthly Total Expenditure Per Capita (Rs) 1978-79 (case 3D)	Urban: Index for 1978-79 (3D) with 1973-74 =100
(1)	(2)	(3)	(4)	(5)	(6)	(7)
70-80	61.59	67.23	109.16	78.16	85.54	109.44
80-90	75.73	76.17	100.58	99.14	100.33	101.20
90-95	94.80	87.26	92.01	128.26	119.24	92.97
95-100	136.58	108.20	79.22	196.30	157.49	80.23
0-100	49.27	56.59	114.86	62.08	70.06	112.85

Note: Columns (2), (3), (5) and (6) at 1971-72 market prices.

Source: [2], Tables 8 and 9 which were worked out from Tables 7.1 (Rural) and 7.2 (Urban) provided in the Technical Note (April 1973).

distribution of monthly expenditure per capita remains unchanged in 1973-74 as well as in 1978-79. N-M should have applied this rule to proportions in 1973-74 and 1978-79 (case 3C) with no change in the expenditure inequality. The proportions are reproduced for the benefit of readers in Table 2. In a correct comparison, therefore, the proportion spent on foodgrains can, indeed, be seen to go down from 0.3311 (1973-74) to 0.3024 [1978-79 (3C)] for the top 30 per cent of the rural population and from 0.1771 (1973-74) to 0.1617 [1978-79 (3C)] for the same subgroup of the urban population. There is no mistake in my computations when correct proportions are compared. What seems to have escaped the notice of N-M is the effect of drastic redistribution postulated by the Planning Commission on the consumption proportions of the top 30 per cent of the population both in the rural and the urban areas. I may draw the attention of N-M to Table 8 (p 71) and Table 9 (p 72) in [2] (relevant parts of which are also reproduced in Table 3 here for the benefit of readers). From Table 3, they would clearly realise that the drastic redistribution postulated by the Planning Commission seeks to reduce (by 1978-79) in absolute terms (in relation to their postulated base year level of 1973-74) the monthly expenditure per capita of the top 5 per cent of the population by as much as 20 per cent, and that of the next lower 5 per cent of the population by 8 per cent. The total expenditure per capita of the 9th decile is frozen to its base year level whereas that of 8th decile is postulated to increase by about 9 per cent when the overall average expenditure per capita is postulated to increase by 15 per cent for the rural population and by 13 per cent for the urban population over the five-year period. With this drastic redistribution, what else is one to expect except, the proportion spent on foodgrains to go up for the top 30 per cent of the population under case 3D which N-M wrongly assert "can never be true". Since my base year proportions are not substantially different from theirs, and the agreement of their proportions for 1978-79 (3D) with what I have derived for 1978-79 (case 3C) is very striking, it is thus apparent that if N-M had taken into account the effect of drastic redistribution on consumption, they should have arrived at roughly the same proportion as I have obtained. Hence, the "obvious mistake" on my part that N-M claim is simply not there.

Since N-M make a very weak and unsubstantiated assertion that "the foodgrains consumption proportions for the other two fractile groups furnished by the author ... also *appear* to be incorrect", it may not be unreasonable to assume that their calculations did not yield substantially different results from my own.

N-M argue on the basis of my non-existent "obvious mistake", that the growth rate of foodgrains demand obtained by me is "higher" and "therefore wrong". In this connection, N-M make two further unsubstantiated statements that call for comment: (a) "If ... one uses the actual data of 23rd Round of NSS (1968-69) ... and estimates the foodgrains demand at 1971-72 prices, ... he would get a growth rate 3.78 per cent in foodgrain demand." (b) Since this growth rate (mentioned in (a) is the same as the one that would be obtained "even by using the consumption proportions data of the Technical Note ... but considering the estimates at factor cost", they maintain that "... the essential adjustments made in the Technical Note in keeping with the official information

TABLE 4: PATTERN OF IMPORTS DERIVED FROM THE TECHNICAL NOTE

Description of Imports	1973-74 (Rs Crores)	Per Cent of Total	1978-79 (Rs Crores)	Per Cent of Total
(A) Use Pattern of Imports				
(1) Intermediate inputs	1237.50	48.84	1687.17	56.87
(2) Capital formation	352.33	21.81	477.58	16.10
(3) Private and public consumption	743.87	29.35	801.97	27.03
Total	2533.70	100.00	2966.72	100.00
(B) Commodity Composition				
(1) Raw materials and intermeoiate manufactures	1321.31	52.15	1765.33	59.50
(2) Capital goods	584.33	23.06	521.66	17.59
(3) Others	628.06	24.79	679.73	22.91
Total	2533.70	100.00	2966.72	100.00

Sources: Panel (A): Technical Note (April 1973): Annexures III-2 and IV-2 (last line).
Panel (B): Technical Note (April 1973): Annexure III-2 and IV-2 (last line).

Explanatory notes to panel (B): Sectors under Input-Output Classification for the broad groups are as follows.

(1) Raw Materials and Intermediate Manufacturers : 2 to 5, 7, 9, 10, 12, 15 to 35.
(2) Capital Goods: 36 to 57 except 49.
(3) Others: All others excluding those under groups 1 and 2 (see [3], pp 78-79 for the details of the Input-Output classification).

on total availabilities of different commodities has practically no effect on the growth rate of foodgrains demand".

As regards (a), if N-M have neglected the effect of drastic redistribution as they appear to have done in examining my computations, the rate of growth of foodgrains demand they have derived compares with what I have got without redistribution. My own experience on the basis of the data for the 9th and the 19th Rounds of NSS and preliminary investigations with the 22nd Round suggests that the rate of growth of foodgrains demand with the postulated redistribution cannot be lower than 4.5 per cent per annum. The results of other studies (summarised in Table 2 in [2] p 64) also indicate (when allowance is made for difference; in time horizon as well as the targeted reduction in the concentration ratio) possible underestimation in the growth rate of foodgrains demand adopted by the Planning Commission. We may also note that the resulting growth rate of foodgrains output remains unchanged at 4.00 per cent in the Draft Plan as well as in the original Approach document even though the rate of growth of overall average per capita expenditure was changed from 2.8 per cent per annum in the Approach document to 3.1 per cent per annum in the Draft Fifth Plan (Volume I, derived from p 7). Even more odd is the fact that this growth rate of gross output of 4.00 per cent (Volume I, p 34) does not square with the 4.20 per cent mentioned in Volume II, (p 7). All these considerations not only suggest mutual contradictions in Planning Commission's own exercises but also indicate that the growth rate of foodgrains demand amounting to 3.78 per cent claimed by N-M certainly appears to be on the lower side with the postulated drastic redistribution. I may, therefore, request N-M to come out with the primary data for the 23rd Round of NSS at least on the estimated percentage distribution of persons in various expenditure groups, the average expenditure per capita in each group and the corresponding proportion of total expenditure spent on foodgrains so that sources of differences can be settled on objective grounds.

Coming to (b), this is the first explicit admission that the consumption proportions given in the Technical Note (April 1973) were adjusted for "keeping with the official information on total availabilities of different commodities". As noted in [1], these proportions were also adjusted for factor costs and for conversion from 1968-69 to 1971-72 prices. It is well known that the data base for making all these adjustments even at the aggregate level is weak and unreliable. The Planning Commission has done these adjustments at such detailed levels as for 27 sub-groups of the rural population and an equal number of sub-groups of the urban population. Unless the Planning Commission has access to as yet unknown sources of data and unless they come out with full details, *prima facie*, it is quite clear that all these detailed adjustments would introduce errors of unknown magnitudes and would violate the basic principle of minimum adjustment to the observed data and that too only on the basis of reliable information. As it is, the originally observed NSS data are subject to some sampling errors. The process of detailed adjustments with unknown errors has further widened the gap between the observed reality and the consumption proportions given in the Technical Note. As a result, the growth rate of foodgrains demand emerging from these proportions would be right, if at all, only by a miraculous accident. At a more fundamental level, the justification for accepting the size distribution of expenditure from the NSS but disregarding its absolute overall level of per capita expenditure as well as the resulting commodity composiiton is not very clear. And even assuming that some (unexplained) rationale does exist, it is certainly preferable to adopt the Manne-Rudra method of projection (outlined above) that minimises tampering with the observed NSS data on the basis of a shaky informations base.

Finally, N-M appear to be making the point (though I must confess it is not very clear to me) that the proportion spent on foodgrains for the top 30 per cent of the population ought to remain invariant between 1973-74 and 1978-79. If I am right in this interpretation, the point is clearly not valid because as compared to 1973-74, both the overall average total expenditure per capita as well as the level of inequality change in 1978-79 in case 3D.

It is thus clear from the foregoing that the claim of N-M that my conclusion regarding the higher growth rate of demand for foodgrains under the postulated redistribution is "absolutely baseless" is without any substantive basis. We have, however, taken this opportunity to raise two substantive issues in this context.

ESTIMATION OF IMPORTS

Here N-M make an allegation that my conclusions regarding the underestimation of import requirements and the unrealistic nature of the envisaged import-substitution are based "on such part of the past information as happens to be convenient to [my] purpose". This is clearly wrong as will be clear from the following paragraphs.

To start with, readers who have glanced through [2] (Part II, Section V, pp 65-70) would realise that I had attempted to put together whatever direct as well as indirect evidence was

available to judge the numerical specification of the import structure in the base year 1973-74 for its closeness of approximation to the realised import-structure in the recent past, for its relative stability as well as its suitability in terms of the readily available data. To counter this, N-M have produced *only* two pieces of evidence and those too at a highly aggregative level, *viz*, (a) aggregate imports as per cent of GDP at factor cost, and (b) share of imported raw materials and intermediate manufactures in total imports. As for (a), GDP at factor cost is clearly too aggregative an entity on *a priori* grounds to judge the sufficiency of imports and that too at of the aggregate level. As for (b), not only was this evidence considered by me (see [2], Part II, Table A, p 66) but N-M have committed an outright blunder with reference to the Technical Note (April 1973) put out by the Perspective Planning Division. They claim that the share of imported raw materials and intermediate manufactures has been estimated to increase from 63.6 per cent in 1973-74 to 72.7 per cent in 1978-79. Table 4 compiled from the Technical Note clearly indicates that whether one considers the use pattern of imports [Panel (A) or the commodity composition of imports Panel (B)], N-M's claim is totally false. Conceptually, the commodity composition can be compared with the past trends and it is clear that the share of imported raw materials and intermediate manufactures is estimated to go up from 52.0 per cent in 1973-74 to 59.5 per cent in 1978-79. The target year percentage (with all the import substitution assumptions) conforms to what was realised in 1971-72 and that too after underestimating certain machinery imports as was argued in [2]. I have also provided in Table 4 the sectoral details I have used in the process of aggregation for the benefit of the authors.

Secondly, N-M contest certain parts of the imported intermediate input requirements of certain machinery industries presented in Table 5 of [2] Part II, p 67. Their argument is based on the discrepancies in the commodity composition of the Planning Commission's sectoral classification and that compiled by me on the basis of the DGTD data for the following items (1) Agricultural Tractors (their sector 41); (2) Air-conditioning and Refrigeration (their sector 40); (3) Motors, cycles, scooters, mopeds, scooterettes (their sector 52), and (4) Railway wagons (their sector 56). Let me note to start with that I was very clearly aware of their objection regarding "Agricultural Tractors" as was clear from footnote 13 on page 79 of [2] where I showed that, even after anticipating their objection, the Planning Commission's import co-efficient was on the lower side. Next, in the absence of any quantitative information on the commodity composition of the Planning Commission's sectoral classification, we may ask the following hypothetical question: Assuming that the omitted items from my classification have zero import-content [which is certainly not true about omitted items in (2) and (4) above], what is the implied percentage share of the items under my classification in total gross output so as to make the DGTD import co-efficients equal to those adopted by the Planning Commission for 1973-74? The extreme assumption made here, though unrealistic in at least two cases, is clearly favourable to the Planning Commission. The calculations are presented in Table 5. It is clear from this Table that by all the available evidence the implied percentage shares of the included items are definitely very low for sectors 40, 41 and 52 which by implication means considerable underestimation in the import co-efficients adopted by the Planning Commission. For sector 56, N-M have to supply the evidence whether the weight of railway wagons in total gross output of railway equipment in 1973-74 was of the order of 32 per cent or less to establish the adequacy of the import co-efficient besides showing with empirical data that the omitted items had in fact zero import content in the recent past. Since N-M have not mentioned any discrepancies in classification as regards "Other Machinery", "Electric Motors", "Cables and Wires", "Batteries (dry and storage)" and "Commercial Vehicles (including cars and jeeps)" that are included in Table 5 in [2], I take it for granted that they concede the underestimation by the Planning Commission in the imported intermediate input co-efficients of these sectors. All these comments are to be interpreted in the light of the definition of "indigenous content" adopted by the DGTD which implies buying from any "indigenous seller" who may have imported the commodity. This already provides a built-in downward bias in the import co-efficients calculated on the basis of the DGTD data.

Next, N-M maintain that considering the declining trend in the import content of various industries, there is no justification for assuming that the import content in any particular industry should continue at the same level as in the past years. I did not assume this. All that I maintained was that the import-structure for the base year 1973-74 was expected to incorporate the actual state of import-substitution observed in the recent past and as such was expected to approximate to the observed import-structure in the recent past. In addition, I may note that I used the above mentioned Table 5 in [2] also to illustrate that "the actual import-content, even at the aggregate level in any industry, using the procedure of the Planning Commission, fluctuates considerably even in two consecutive years, thus clearly confirming our earlier serious doubts on the stability of these co-efficients from year to years" ([2], Part II, Section V, p 66). N-M have preferred to remain silent on this crucial criticism of the import-structure adopted by the Planning Commission.

TABLE 5: IMPLIED PERCENTAGE SHARE OF THE INCLUDED ITEMS IN TOTAL GROSS OUTPUT OF THE SECTOR

Sector Classification	Description of Included Items	Implied Share (Per Cent) in Gross Output		Description of Omitted Items
		1970	1971	
(1)	(2)	(3)	(4)	(5)
40	Air-conditioning and refrigeration	4.16	4.93	Typewriters, sewing machines, calculating machines, etc
41	Agricultural tractors	0.81	1.13	Other agricultural implements in the organised and unorganised sector
52	Motor cycles, scooters, mopeds, scooterettes	4.14	3.04	Bicycles
56	Railway wagons	40.97	31.63	Locomotives, passenger coaches, etc

Method: Let m be the import co-efficient based on the DGTD data given in columns (5) for 1970 and (6) for 1971 in [2], Table 5.
and n be the import co-efficient adopted by the Planning Commission for 1973-74 and given in column (9) of Table 5 in (2).
then $(n \div m) \times 100$ is the implied share (per cent) in gross output.
For the rationale, see the text.

Sources: Columns (1) and (2): (2), Table 5, p 67.
Columns (3) and (4): derived from columns (5) (6) and (9) of Table 5 in (2), p 67.
Column (5): Nanjundaiya and Majumdar.

As regards my conclusion regarding the drastic nature of the postulated redistribution, N-M make a one line statement: "This criticism is not valid because the import substitution envisaged has been conditioned and analysed in terms of the feasibility of attaining the necessary domestic production levels in these sectors." Notice that this is a plain unsubstantiated assertion and hence does not deserve any consideration — serious or otherwise. However, I may draw the attention of N-M to p 36 of [2] (Part I) where I indicated the detailed contents of the empirical specification of the objective of self-reliance (which includes the relevent elements of their own statement) and referring to this on p 65 ([2], Part II), I stated: "Nothing of this type is spelt out either in the Approach document (where the chapter on self-reliance is conspicuous for the lack of quantification) or in the Technical Note". I had added in [1] (p 76): "It is hoped that the final plan document would be more illuminating on this count." It is only "in the absence of detailed analysis of this type, the criterion on the basis of which the numerical specification of the import-structure can be judged is its closeness of approximation (in 1973-74) to the realised import-dependence in the recent past". If the analysis was done, as N-M claim, why was it not indicated in the Approach document? We may go further and ask: why is it that even in the Draft Fifth Plan (Volume 1, Chapter 6), there appears no detailed analysis of import-dependence? Moreover, why is it that even the specification of imports in the Draft Fifth Plan is made in terms of only five considerably aggregated groups?

Finally, we may repeat substantive technical criticisms of the import specification that we made in [1] pp 77-78; "... there are no competing imports in the Planning Commission's specification of the import-structure. All imports are assumed to be competitive in nature. The demand for competing imports for all uses put together in the aggregate in each sector is governed by a large number of factors like the domestic production bottlenecks, the levels of accumulated stocks, the short-run variation in the demand for the final products as well as short run exigencies like the foreign exchange availability, tariff and quota restrictions, import-entitlements for exporters and so on. All these factors are most likely to change from year to year. So far as the use pattern of competing imports as intermediate input in various sectors and for each individual component of final demand is concerned these factors would operate in even more pronounced manner because of the substitution possibilities between different uses. It is the latter phenomenon that is bound to dominate in the specification of the M_1 and M_2 matrices indicated above and as a result these matrices are most likely to be extremely unstable and hence unsuited to the reliable projection of the import-requirements. Moreover, these are based on the commodity composition of imports for just one year, *viz*, 1969-70. Besides, the specific biases the import structure of this year may contain ... the M_1 and M_2 matrices based on just one year's data are even more likely to be affected by the factors mentioned above and hence more unstable than if they had been based on the average import structure over a suitable period. Add to this the conceptually doubtful appropriateness of combining the production structure of one year (*viz*, 1965) with the import-structure of yet another year (*viz*, 1969-70) which becomes all the more so in view of the exchange rate devaluation that took place during the intervening period, *viz*, June 1966. The story does not end here. The computation of M_1 matrix requires the conversion of the commodity-composition of imports by sector of origin into the end-use classification by sector of destination. To the knowledge of the present author, no reliable and detailed information on this aspect is available so as to construct the M_1 and M_2 matrices. In the absence of this information, the estimation of the matrices has most likely to take place on the basis of some *ad hoc* norms and arbitrary considerations thereby introducing errors of unknown magnitude. This, in turn, has been adjusted to 1971-72 prices and to take into account the estimates (not actuals) of commodity-wise imports for 1973-74 (which is yet to be over). It is not at all clear how far or close one is to the approximation to reality after making so many transformations on so scanty information base. One is thus forced to conclude that the specification of the import-structure adopted by the Planning Commission is conceptually unsound, founded in shaky information base and is operationally unwieldy. I did not stop at this point and suggested a "conceptually better, operationally simpler and from the data point of view more reliable specification of competing imports" (p 79). N-M have not attempted to refute these substantive technical criticisms of the import specification adopted by the Planning Commission.

It is thus clear from the foregoing discussion that the attempt made by N-M to salvage the numerical specification of the import-structure from my criticisms is not only based on unsubstantiated assertions and on the wrong reading of the Technical Note but also evades the substantive parts of my criticisms.

CONCLUSION

The foregoing discussion indicates that N-M have not succeeded in substantiating what they call "futile criticisms" on my part. This is particularly because of their counter-productive approach combined with assertions that are *non sequitur*. They have shown a regrettable aversion to providing empirical counter-evidence while contesting the three specific numerical details in my comprehensive critique of the Approach document and the Technical Note. This is not only inimical to fruitful debate but also singularly unfortunate because it is bound to create further misgivings in the minds of readers without clearing the existing ones that resulted from my critique. I may add that it is high time that the full details of the Technical Note are published and a free, frank and dispassionate debate takes place about all the details — technical specification, empirical verification and approximation to reality as well as the implied institutional premises — and the relevance of all these to the planning process in a mixed economy under a democratic framework. Till then, the misgivings are not only bound to persist but may most probably lead to a suspicion that the Planning Commission is interested not in clarifying the issues but in confusing them by hiding politically inconvenient and unpleasant factual evi-

dence. This is all the more so in view of the suspiciously vague nature of the very statement of the accepted levels of social objectives in the Draft Plan and the non-operational nature of the programmes for their achievement (see [3]).

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[4] Planning Commission, Draft Fifth Five-Year Plan 1974-79 Government of India, Ne Delhi, 1973.

[5] Manne, A S and Rudra A: "A Consistency Model of India's Fourth Five-Year Plan", *Sankhya*, Volume 27, Series B, December 1965.

ICICI

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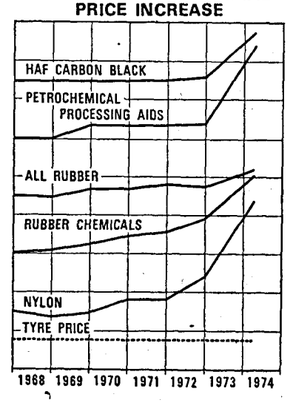
World Oil Crisis: An Indian Opportunity

Excerpt from speech by Mr K M Mammen Mappillai, Charman and Managing Director, Madras Rubber Factory Limited, at the 13th Annual General Meeting of the Company held on March 29, 1974

TODAY the world is passing through a crisis, the like of which has never been faced before. It is unprecedentedly grave; and it has spared no country, developed or developing. The price spiral is on a dizzying lift and has reinforced the inflationary trends in India.

In a span of 12 months, industrial raw material prices have shown a 41 per cent increase and this trend is continuing. The foreign exchange crisis caused by food imports and the incredibly high import bill for crude and petroleum products, in addition has spelt bad news for industrial development and disaster for the automotive tyre industry.

INDEX OF RAW MATERIAL PRICE INCREASE



Opportunity in Crisis: Our Resources

Yet for all its gravity, the crisis also spells opportunity. An opportunity lies in our country's agro-based economy and vast natural resources that offer a ready substitute for petro-chemical products. The dimensions of the opportunity begin to emerge when we notice that in developed countries like Japan, industry almost totally depends on raw material imports and energy inputs, while in India 44 per cent of industry is agro-based. And in addition, there is an abundance of energy resources, however inadequately exploited.

The Indian tyre industry provides a specific example of the opportunity before our country. India not only has adequate natural rubber but even synthetic rubber production is from molasses. Such rich natural resources are not available to the international tyre industry. Fabric, another major raw material for tyre manufacture, also has an agro-base, although rayon grade wood pulp is imported. Indian enterprise can correct this situation and there is no reason why the existing fabric manufacturers should not establish total self-sufficiency with the integration of production of wood pulp, rayon filament and tyre cord fabric.

A similar opportunity exists with the third important raw material — carbon black — where technical expertise is available within the country for manufacture based on coal instead of petroleum feed stock.

In pursuit of such increasing utilisation of our own natural resources, special benefits accruing from import-oriented materials such as nylon should not be foregone.

Opportunity Spells Growth

Shortage of petro-chemical products and the uncertainties of future supplies have resulted in an international tyre shortage. Even a one to two per cent increase in India's share of the international market can lead to as much as a 50 per cent growth for the domestic tyre industry. Such a growth would significantly eliminate transportation bottlenecks and help in speedy distribution of essential commodities. And export earnings will contribute to the bridging of the balance of payments gap, aggravated by the oil crisis.

Opportunity Needs Exploitation

The exploitation of the growth opportunity is made difficult, if not impossible, by government price control for essential products, without due consideration of the increasing raw material costs. While the tyre industry was asked to maintain its prices for the several years from 1968, raw material costs have been uncontrolled and are constantly on the increase, particularly



Mr. K. M. Mammen Mappillai

since last September. In this situation of eroding margins, the tyre industry will not be able to implement rapidly the capacity expansions necessary to support the national and international market demands. This is a familiar situation already prevalent in price-controlled industries such as fertiliser, paper and cement. It is thus no wonder that government's licensing policy, though directed at encouraging expansion, has had little effect on industrial growth.

Opportunity Demands Action

I welcome, in this connection, our Prime Minister's statement in Parliament that all possible steps must be taken to stimulate production in all essential sectors. This provides an appropriate starting point for the bold actions demanded by the opportunity: removal of restraints to growth such as price control and concessional pricing to specified sectors.

Such a step would lead to revitalisation of industrial expansion through rapid implementation of licences. The scarcity situation would consequently improve, and the Indian tyre industry would be able to properly compete for a larger slice of the international market, and simultaneously fulfil local distribution needs.

MRF's Role in the National Service

Your company is already playing a

major role in the service of the nation and is well prepared to take up greater and greater responsibilities as demanded by the situation ahead of us. In the year under review, your company collected and paid directly to the government exchequer a sum of Rs 18 crores, equivalent to 65 per cent of the nett ex-factory sales value. If sales tax and excise duty on suppliers' bills are also included, the total rates and taxes paid could exceed the nett sales revenue. And such contributions to the government exchequer will continue to grow with the expansion plans on hand.

A major portion of the company's capacity has been concentrated on truck tyres irrespective of the comparatively better margin on smaller tyres. The capacity at the Goa plant is utilised fully to produce truck tyres, as also a very substantial portion of the Madras plant capacity. Secondly, a need-oriented distribution system has also been set up in the last two years and supplies to the markets of the Eastern and Western regions have nearly doubled. In keeping with its pioneering role in exports, your company will play a larger and larger part in the export market, with the progressive expansion of capacity.

I am happy to inform you that in addition to the 4 lakh sanctioned capacity under implementation in Goa, a letter of intent has been issued by government for substantial expansion to 10 lakhs from 6.1 lakhs. Total capacity will now be 18 lakh numbers plus 25 per cent permitted expansion.

Before concluding, I would like to thank all our retreader friends, tyre dealers, consumers, banking and financial institutions and suppliers for their continued close co-operation. I thank all members of the organisation and my colleagues on the Board, whose unstinting co-operation and assistance have made possible the growth and development of your company.



MADRAS RUBBER FACTORY LTD

(in collaboration with Mansfield Tire & Rubber Company, USA) 175/1 Anna Salai, Madras 2, India.

FROM THE CHAIR

Tamil Nadu Small Industries Development Corporation Limited

(An Undertaking of the Government of Tamil Nadu)

Kannammai Building, (7th Floor)

122, Anna Salai, Madras 600006

Speech of the Chairman and Managing Director, Thiru C N Raghavan, IAS

THE following is the text of the Speech delivered by Thiru C N Raghavan, IAS, Chairman and Managing Director, Tamil Nadu Small Industries Development Corporation Limited, at the Third Annual General Meeting of the Corporation held at Madras on February 27, 1974:

FRIENDS,

I have great pleasure in welcoming you all to the Third Annual General Meeting of the Company.

The annual accounts and audited Balance Sheet and the Directors' Report pertaining to the Company for the year ended 31st March 1973 have been circulated to all the Shareholders and with your permission I shall take them as read.

The Report of the Directors would reveal that the Company has expanded its activities in the fields of distribution of raw material, supply of machinery, construction of workshed, etc. The Scheme for the assistance for preparation of feasibility studies and the scheme for the development of ancillary industries add new dimension to the activities of the Corporation. The Company has achieved tremendous heights in the distribution of scarce raw material and has covered a few more scarce items like caustic soda, zinc, palm oil, etc, during this year. The company has distributed raw materials worth Rs 4.18 crores during this year. The company registered the demands of as many as 1,500 small-scale industrialists and 2,200 fabricators from all the districts of the state. The Company is taking all possible steps to mitigate the difficulties of small-scale industries arising out of short supply of raw materials. In order to ensure at least some quantity of the right type of material at the right point of time, we have made the system of *ad hoc* allotment against specific orders obtained by small-scale industries from leading and reputed industries and orders from the Railways, Defence Departments and other priority sectors more broad-based and new small-scale industries all over the state enjoy the benefit.

The Company recorded a commendable rise in the progress of its Hire-Purchase Schemes under which machinery required are procured and supplied and the workshed contructed and allotted. The number of entrepreneurs provided with machinery and the value of the machinery so provided under the scheme has increased twofold as compared to the performance in 1971-72. The Company has assisted 401 entrepreneurs with machinery worth Rs 169 lakhs, during the year under report as against Rs 75 lakhs worth of machinery for 154 entrepreneurs in the year 1971-72. The Corporation has built up the tempo within a short period of 2½ years by systematic and planned approach, taking advantage of the wind of change in the field of small-scale industry. We are well aware that our present problem is not the lack of entrepreneurial skill but lack of facility for identifying projects. We have hundreds of young entrepreneurs throbbing with enthusiasm and deep interest in starting new industries. In order to make best use of the entrepreneurial skill by giving them proper guidance and counsel on the suitable project, our Corporation has introduced a scheme during this year to give assistance for the preparation of project reports and feasibility of studies at the instance of the entrepreneurs, engaging reputed consultants. Special concessions are being given to technocrats.

Electronic Cell

Again seized with problem of the development in the everwidening field of electronics, our Corporation sparing no energy and losing any time constituted an Electronic Cell under senior officer for giving counsel and guidance and preparing project reports for the use of entrepreneurs. The cell is becoming popular and a number of entrepreneurs are availing themselves of the benefits.

Similarly under the workshed scheme also, the response has been heavy. The workshed designed and constructed by the Company, conforms to requirements of Factory Act and individual needs of the entrepreneur. Under this Scheme, the Company has taken up construction of 72 sheds at a cost of Rs 49 lakhs in the SIDCO Industrial Estate at Ambattur. Besides these sheds 26 sheds are being put up at Coimbatore. Further, the Corporation has put up Ancillary Industrial Estates at Tiruchirapalli and Ambattur to cater to the needs of Bharat Heavy Electricals Limited, and TI Cycles of India, respectively. We have taken up construction of 12 sheds at an estimated cost of Rs 24 lakhs at Tiruchirapalli. The Ambattur Ancillary Estate serves 19 ancillary industries. Consistent efforts are being taken to identify more ancillary industries. This striking development in small-scale industries has thrown open wider scope for the establishment of ancillary contact between large and small industries. The success so far achieved in the field has given us the courage and confidence to explore the possibilities of putting up more Industrial Estates in future.

The repayment of the instalments under Hire-Purchase Scheme commenced in respect of a considerable number of cases during this year. Taking a lesson from sister corporations, the Company did not lose time to take steps to pursue recovery work. Recovery cell has been constituted to attend effectively to collection of instalments then and there. Timely actions are being taken for recovery of instalments due to the Corporation. The progress made under this direction is satisfactory.

The Company launched a New Loan Scheme from 1-4-72 hitherto implemented by the Director of Industries and Commerce. The Company adopted a more simplified procedure and the terms of Company in regard to rate of interest, mode and period of repayment of loan, etc, are attractive. During the year, 386 entrepreneurs were granted working capital loans to the value of Rs 37 lakhs.

Shareholders would be glad to know that the company is in close liaison with the State Trading Corporation of India in regard to meeting the needs of imported raw materials of small-scale industries and in regard to finding export markets for the finished products of small industries. I have every confidence that these longstanding liaison arrangements with the State Trading Corporation of India would go a fruitful way to assist small industries of the state. In furtherance of these arrangements, specific studies of a few select sections like leather, processed foods and ceramics have been taken up.

SIDCO can also take legitimate pride in being one of the public sector organisations which have started earning profits right from the very inception. The profit for the year under review was higher than that for the previous one. If the past is of any indication there is no doubt that the SIDCO will embark on its voyage on aims and achievements for 1973-74 with cheer, courage and confidence.

Profound Gratitude

Before I conclude my speech, it is my privilege and pleasure to thank the Directors, Officers and Staff of the SIDCO for their zealous service and conscious dedication with which alone, the Company could carry out programmes with success during the year under review.

The Company conveys its profound gratitude to the Government of Tamil Nadu particularly to our dynamic Minister for Industries Thiru S Madhavan for the good counsel and assistance received from the government at every stage of implementing its assistance programmes. The company owes a large share of the dividend of its success to the Government of Tamil Nadu.

Note: This does not purport to be the proceedings of the meeting.

PUBLIC ISSUES OF DEBENTURES BY THE TATA ELECTRIC COMPANIES

The subscription lists for the following debenture issues will open on Monday 22nd April 1974 and close on Thursday 2nd May 1974 or earlier but not before Wednesday 24th April 1974:
(The issues have been declared by the Government of Maharashtra as 'Public Securities' under section 2(12)(d) of the Bombay Public Trusts Act, 1950).

1. THE TATA POWER COMPANY LIMITED — 20,000 8½% Sixth Debentures of Rs. 1000 each for Rs. 2 crores at par.
2. THE ANDHRA VALLEY POWER SUPPLY COMPANY LIMITED — 10,000 8½% Fifth Debentures of Rs. 1000 each for Rs. 1 crore at par.
3. THE TATA HYDRO-ELECTRIC POWER SUPPLY COMPANY LIMITED — 10,000 8½% Fourth Debentures of Rs. 1000 each for Rs. 1 crore at par.

Managers to the Issue:

Tata Consultancy Services (Financial Services Division)

Golden Tobacco Company Limited

Highlights of the Address by Shri Chatrabhuj Narsee

THE following are the highlights of the address by Shri Chatrabhuj Narsee, Chairman, Golden Tobacco Company Limited, at the Eighteenth Annual General Meeting held on March 30, 1974:

Food shortage, epidemic of labour unrest, power and fuel oil crisis, galloping inflation, zero growth or even retardation in many fields, have all combined to push the economy into a quagmire, the like of which free India has never witnessed before.

The cigarette industry's gratifying annual average growth rate of 7 to 8 per cent declined in a somewhat disquieting manner in the 70s. Such a trend is largely attributable to the erosion of the consumer's purchasing power by the soaring cost of living and the heavy incidence of steep and frequent excise levies on cigarettes. The Union Government's harsh excise policy as regards cigarettes will eventually prove self-defeating. Instead, a policy of moderation will help the government collect more tax and at the same time help the industry's growth.

During the period under review the Company, for the first time in the last 25 years, was afflicted by an industrial strife which later culminated in a strike in the Bombay factory. The wage bill alone has gone up from 90 paise in 1968-69 to Rs 2.36 in 1972-73 per thousand cigarettes produced, mainly due to loss of production and abnormal wastage of materials. As a result the performance was adversely affected and the cash-flow almost choked.

The union raised demands amounting to an additional Rs 120 lakhs which was hundred per cent more than the present wage bill of the Company. Though the Company has been paying emoluments comparable to those in the foreign companies in the cigarette industry, the union leader adopted the destructive activity of go-slow and gross indiscipline.

After four months of strike the Government of Maharashtra by a notification referred the dispute to the Industrial Tribunal and prohibited the continuance of the strike. Even after this, normalcy is not restored because of the attitude of the union and go-slow by the labour. If the situation continues to deteriorate, the management will not hesitate to ask the Government of Maharashtra to look after the workers and run the plant.

Baroda Factory

The Baroda factory with half the number of machines and workmen as compared with the Bombay plant is giving the same production as Bombay. But for the timely help from the Baroda plant, the labour trouble in Bombay would have crippled the industry more disastrously.

Foreign Companies

Even today the cigarette industry is controlled to the extent of 85 per cent by the companies having majority foreign shareholding ranging between 67 and 92 per cent. The share of the foreign monopoly alone is more than 75 per cent. This is alarming when viewed against the avowed government policy that only wholly Indian-owned companies will be allowed to expand in the cigarette industry. While no new foreign companies are allowed to enter the field of cigarette industry, no action is taken against the existing foreign companies which have gone on expanding without government's permission and thereby strengthened the monopolistic hold.

Instead of allowing the foreign monopoly to continue to have 75 per cent control on the production and market, it would be in the interest of the economy, the industry and the consumers at large to permit a larger number of foreign companies with foreign equity limited to 40 per cent and with much smaller share in terms of production capacity. Maybe the government will find the suggestion appealing.

Factories in Joint Sector

The production of cigarettes in India has increased from 20,000 million in 1947 to 65,000 million in 1973. Even assuming that the foreign companies had cent per cent monopoly in the industry in 1947, if their production was pegged at the then level, today their share in the local business would have been 33 per cent and Indian companies would have secured 67 per cent. To achieve an increase in the share of the indigenous sector, we mooted the idea of joint sector and in spite of obstructions from the vested interests and procedural delays, the joint sector is at last taking concrete shape, as foreseen by the Indian Cigarette Manufacturers' Association four years ago. Apart from the various benefits available to the industry in the backward areas, the new units in the joint sector will readily have state and Central governments' patronage, unlike the Indian companies in the private sector.

International Brand Names

The economists and policy-makers in this country are not alive to the colossal damage caused to the cent per cent indigenous products by the international brand names. In India in almost every class of consumer product we find various international brand names claiming foreign ownership to lure the consumers. Use of such names also means substantial drainage of foreign exchange by way of profits, royalties, etc.

Future Plans and Prospects

The soaring prices of raw tobacco and other inputs make any prediction of future a futile exercise. However, your Directors have taken steps to make the operations of the Company more profitable and growth-oriented. There are under consideration plans for diversification into some profitable manufacturing and trading fields. This will add to the overall profitability and result in the better utilisation of the Company's assets.

Assam Carbon Products

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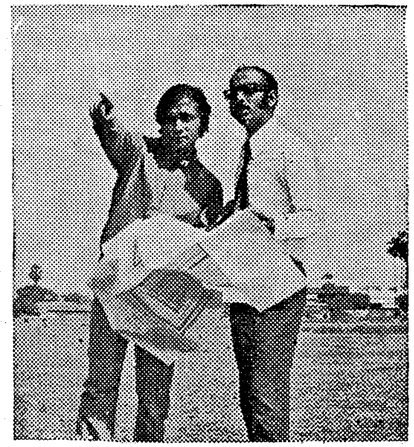
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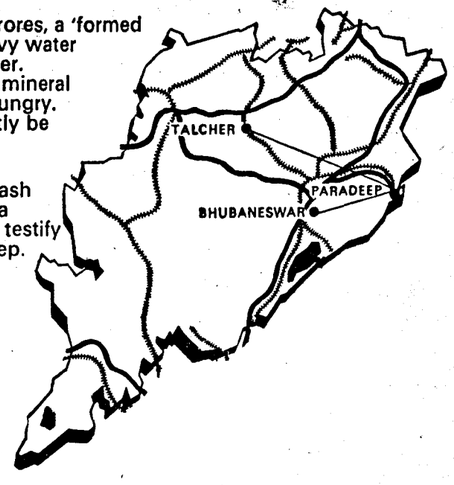


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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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The Whipping Boy

A FEW years ago, the CPM ran an election campaign in West Bengal, riding the plank of alleged discrimination on the part of the Centre against the eastern states. New Delhi had then come down heavily upon the party. It was dubbed as divisive, sectarian, anti-national, parochial, bigoted, and so on. It is, therefore, altogether bizarre that the kind of statements which used to come from CPM quarters in West Bengal way back in 1970-71 are now being mouthed, in almost identical fashion, by spokesmen of the Congress in that state. The Chief Minister of West Bengal, about whose loyalty to the Centre not the least doubt is permissible, has come out with a thundering roster of complaints. Taking the cue from him, others have joined in.

The list of grievances includes allegedly unfair treatment in such areas as the issuance of industrial licences and letters of intent, import licences, investments and loans by public financial institutions including the nationalised banks and the Life Insurance Corporation of India, allocation of developmental expenditure, etc. To all this is added the supposed discrimination against the eastern region in the matter of supply of fertilisers, planning of power, provision of irrigation facilities and distribution of foodgrains. It is pointed out how the non-release of water from Farakka is ruining the port of Calcutta, and will soon ruin the prospects for Haldia too. Lurid stories are being spread about the manner in which both the projected shipyard as well as the petro-chemical complex are being taken away from Haldia. To complete the indictment, references are made to the pernicious system of retention prices for steel, coal and cement; these basic commodities, which are raised or produced in considerable quantities in the eastern region, are supplied at the same prices all over the country, but no reciprocity applies in the case of the supply prices of such raw materials as cotton, cotton yarn, soda ash, heavy chemicals, etc, in which the region is short. Thus while the locational advantages enjoyed by the eastern region are neutralised by the system of retention prices for steel, coal and cement, no compensatory gesture has been made to it.

Much of this may be weak alibi for lack of adequate initiative at the local level. Even so, as far as pricing and investment policies are concerned, the eastern states do appear to have a somewhat strong case. More than one-third of the total industrial output in the country still originates in this region, which is also marked by the predominance of the key industries of steel, coal and heavy engineering. There is a complex inter-relationship between the steel, coal and engineering industries; if the conventional advantages enjoyed by the eastern region in these industries have been taken away, that by itself could go a long way to explain their stagnant state in recent years. The difficulties encountered by one of the industries will be here intensified by those being faced by each of the others. Whatever the other underlying factors, the fact that pricing and public investment policies have underrated certain aspects of the problems besetting West Bengal is perhaps true. And it is futile to refer to the criterion of per capita income in this context, even though, on the basis of that criterion too, Assam, Orissa and Bihar, as much as Tripura, Meghalaya, Nagaland and Manipur, certainly deserved better.

The fulminations coming from West Bengal notwithstanding, it does not seem that clarity is gaining the upper hand. The Union Minister for Steel and Mines has, in recent weeks, spoken sorrowfully of the mess in the eastern region, which is heavily populated by steel plants, coal mines and the heavy engineering units. However, the malaise, according to him, is not any of the factors mentioned above, but the 'politicalisation' of labour in this region, which has affected the smooth functioning of industrial plants. Even were the Minister's words taken at their face value, one could still enquire about the reason for this rather extraordinary 'politicalisation' of labour in one part of the country. Did not such 'politicalisation' start with the Congress party's anxiety to control the trade unions in the area? Who can deny that, ever since 1947, because the ruling party wanted to have untrammelled suzerainty over each segment of industrial labour, it purposely went ahead and encouraged splits in trade unions? The lead was followed by others. Whenever the Congress as well as the other parties found that they were unable to capture the loyalty of the majority of the workers in an industrial unit, they went ahead and formed a rival union. In this matter, more often than not, the Congress has consistently shown the way. Given the fact that both the employers and the government have invariably backed such fly-by-night Congress unions, tension grew in the industrial field. It has happened in any number of cases that, for years on end, an INTUC union has been given formal recogni-

tion by the government and has been exclusively consulted by the employers in the matter of wage bargaining despite its not commanding the loyalty of even a small percentage of the workers. The most blatant example of this was in the Hindustan Steel unit in Durgapur, where the Congress union continued to be officially recognised for nearly a decade notwithstanding the fact that the evidence of elections to the works committee or the plant's cooperative society indicated that it did not evoke the support of even one-fifth of the workers.

During all these years, whenever suggestions have been made that union recognition should be determined through a secret ballot, both the INTUC and the Union Government have hummed and hawed. Which set of union leaders commands the loyalty of the majority can be most satisfactorily proved if there is a free, secret ballot. A government which resists this measure, and at the same time maintains a tilt in favour of that union which toes the establishment line, has little ground to complain about the growing 'politicalisation' in the trade union field.

EEC

Symmetry Across the Channel

LITTLE is being said at the moment about it, but President Pompidou's death has suddenly transformed the prospects for West Europe. Developments in France following the President's passing are now likely to get tied up with the unfolding of events across the channel in the United Kingdom. The failure of the Conservative Party there to clinch the elections last month would, by itself, have caused only a minor ripple. But, if in a subsequent poll that might take place in any of the coming months the Labour Party should receive a clear mandate for renegotiating the terms of Britain's entry into the EEC, the arrangements assiduously reached over the years will once more be in the melting pot. For, the man who might meanwhile be elected President of the Fifth Republic may not be a Gaullist, or for that matter a Right-winger. In the preliminary round of the presidential poll, due on May 5, the Left will have one common candidate — namely, Francois Mitterand, sponsored jointly by the Socialists and the Communists — while the Gaullists have failed to name an agreed candidate. The official candidate of the UDR is the former Prime Minister, Jacques Chaban-Delmas; but the non-conformist Gaullists belonging to the Independent Republican Party have decided to demur, and are backing the incumbent Finance Minister, Valery Giscard d'Estaing. There are several others in the field in the first round, and at least one belonging to the extreme Right: none of them is likely to prove much of a distraction.

In recent public opinion polls, Mitterand has performed considerably better than both Chaban-Delmas and Giscard d'Estaing. Even so, the general expectation till now has been that though in the preliminary round Mitterand would be ahead of either Gaullist candidate, he will fail to receive an absolute majority. Consequently, in the run-off between the two candidates who obtain most votes in the first round, the pooled aggregate votes of the Right are bound to be cast in favour of the Gaullist who remains in the field and who would thus easily outstrip Mitterand. But one can never tell. The presumption of ultimate victory for a Gaullist is based on two separate but related hypotheses, namely, (a) that political attitudes of the French electorate have remained frozen over the years, and (b) that the bourgeoisie's fear of the communist monolith remains as strong today as it was five or ten years ago. Neither of these assumptions may hold good today.

For one thing, the rupture of relations between the two communist giants is a fact of life. With the increasing *embourgeoisement* of the regime in the Soviet Union on the one hand and the growing trade links between France and China on the other, the spectre of communism might not possess the same terror as in the past. Besides, inflation is a great corroder of the faith of the middle class in the existing order, and some shift of loyalty is bound to have occurred on account of the current bout of spiralling prices. There is also the fact that the Gaullist fraternisation with the Arab world has alienated considerable sections of Jewish citizens. Other odds and ends could add up. A couple of years ago, Chaban-Delmas had to resign from the post of Prime Minister because of widespread doubts about the uprightness of his income-tax returns; middle class susceptibilities over this issue are well known, so much so that he might fail to poll the votes of a large segment of the electorate who might otherwise have voted Gaullist. In view of all this, and depending upon how many of the so-called negative Gaullist votes come his way, Mitterand might scrape through in the first round itself.

If that happens, the structure of politics in France is bound to be completely overhauled. Inevitably, there would be repercussions on the structure of the EEC too. Differences exist between the French Communist Party and the Socialist Party over France's membership of the EEC; the Socialists would be most reluctant to opt out of the European experiment — more particularly since the economic provisions of the Community arrangements have meant a bonanza to French agriculture. But even they have reservations about converting the EEC into a supra-national political entity. Thus, once the Labour Government in Britain returns to Brussels with a mandate for sweeping alterations in the terms of its membership, a parallel thrust might well develop from within France itself.

Iron Ore

Not in the Oil League

THE Minerals and Metals Trading Corporation (MMTC) is anxious to renegotiate the terms of its long-term contracts for sale of iron ore to Japan. Japanese steel mills import almost the entire quantity of about 125 mn tonnes of iron ore which they need under long-term contracts. These contracts specify the price of iron ore in dollars. This arrangement was satisfactory so long as the dollar enjoyed a high degree of exchange stability. However, with the two devaluations of the dollar and its fluctuating fortunes under the regime of floating exchange rates, the Japanese could not resist the pressures of the iron ore exporting countries to raise the dollar price of ore last year. The MMTC secured mark-ups in price ranging from 14 to 20 per cent for different types of ore. As a result, it benefited to the tune of $ 16 million in 1973-74. It took several rounds of negotiations, spread over more than 18 months, for the MMTC to persuade the Japanese to agree to the price mark-ups.

The MMTC is now again trying to secure a further price increase for iron ore. It has argued that a price-increase has become absolutely necessary on account of the sharp rise in transportation and other costs. At the current prices, export of iron ore has ceased to be an economic proposition. Further, while iron and steel prices have increased almost by over 60 per cent on average, there has been no commensurate increase in iron ore prices.

However sound the case for a rise in the price of iron ore, whether MMTC is able to secure a price rise will depend on a number of other factors. The Japanese have so spread their imports of iron ore that none of the exporting countries is in a very strong bargaining position. They have built up simultaneously several sources of supply in Asia, Australia and Latin America and are now doing the same in several African countries. In several cases they have themselves supplied the capital for development of mines and building of transportation facilities. Because of the location of iron ore deposits in a number of countries and in view of the fact that the Japanese are the major customers for this product, none of the exporting countries has been willing to take the risk of pitching its demands too high and in the process losing a big and expanding market for their ore. The Japanese have in fact stepped up their efforts to locate fresh sources of iron ore. They have, for instance, concluded long-term agreements with South Africa for supply of 12 mn tonnes of iron ore annually.

The MMTC at present contributes about 10 mn tonnes to the total Japanese imports of iron ore of about 125 mn tonnes. It, therefore, faces the threat of the Japanese shifting to other sources of supply should its price demands be unacceptable to them. That apart, MMTC's record as a supplier of iron ore is blotted by its failure, on several occasions, to keep to delivery schedules. The Japanese will not, therefore, shed too many tears for the MMTC should it try to push its case beyond a point.

Hopes of a significant increase in iron ore prices hang on joint action by the major producing and exporting countries. However, the outlook is not very favourable for such action. A number of exporting countries have abundant supplies of iron ore and are keen to step up their exports. Secondly, iron ore is not a major export-earner for most of the exporting countries. So they are unlikely to take up the cause of higher prices for iron ore with the single-mindedness which the OPEC countries have shown in the case of oil. To make matters worse, the sharp differences in the political positions of the iron ore exporting countries like India, Australia and Brazil have prevented them from coming together to build a united front against Japan. The Japanese can therefore afford to ignore the recent vague talk of forming a bloc of iron ore exporters on the lines of the OPEC.

Parliamentary Democracy

A Matter of Irrelevant Detail

NOW that the Assembly has been dissolved, at least a state of relative quiet has descended upon Gujarat. Prices remain high, essential goods continue to be in short supply, minor scuffles have not altogether ceased, but an emotional plateau appears to have been reached for the general mass of the people. A further phase of agitation, demanding fresh elections to the Assembly at an early date, therefore seems improbable at this stage. Present indications are that New Delhi in any case is not inclined to arrange these elections before August — when the President of the Republic is scheduled to be chosen by the combined suffrage of the members of the Union Parliament and the state Assemblies. Since there would be no Assembly *in situ* in Gujarat, that state would be precluded from participating in the choice of the nation's President.

A constitutional conundrum would thereby arise. On the face of it, it is patently unfair that a part of the electorate would not be able to participate in the Presidential poll and yet the election would not be considered void. The Government is evidently depending on the precedent of a judgment, handed down by the Supreme Court nearly 17 years ago, at about the time of the Presidential election of 1957. Some areas in Himachal Pradesh and Punjab were snowbound when the General Elections took place in the rest of the country in that year, so that, when the time arrived to elect the President, no MLAs or MPs were there to represent those few constituencies. A petition was filed and the Supreme Court was called upon to offer judgment on the validity of the Presidential poll given this lacuna in the electoral college; the court made the point, *inter alia*, that the casting of those odd votes from Punjab and Himachal Pradesh would not have made any difference to the outcome of the actual poll for the President and that it did not therefore matter that the Presidential election was not held in abeyance till the electoral body was complete. However, the government took fright all right, and an amendment was rushed through in Article 71 of the Constitution to forestall the possibility of similar references in future on this score.

If a second reference is made to the Supreme Court now — and particularly in view of Article 71(4) which states explicitly that the election of a person as President or Vice-President shall not be called in question on the ground of any vacancy in the electoral college — the court would perhaps arrive at the same kind of pragmatic judgment as it did in 1957 and ordain that the Presidential poll need not wait for the Gujarat elections.

But pragmatism has to be distinguished from propriety. The Constitution is a solemn and formal document which, going by the professions elsewhere in its text, supposedly gives corpus to a set of accepted principles and doctrines. Whatever the judgment of the Supreme Court, if Article 71(4) makes it possible to simply shut out the representatives of an entire state from the electoral process, the implications are far-reaching indeed. For, from then on, it would be easy to argue from the general to the particular. If, say, 20,000 voters in a particular constituency were deliberately prevented from exercising their franchise, but if the difference in votes polled between the elected candidate and his nearest rival happened to exceed this figure, it could be argued that no harm had been done, since even if these electors had voted, it would not have made any difference to the result.

There is no greater cynicism that can afflict a parliamentary democracy. The plea of the government could, in fact, be turned against it. Since, even were the Congress to lose heavily in any fresh elections for the Gujarat Assembly, it would have no impact on the result of the Presidential poll, the party runs no risk in holding the Gujarat Assembly elections at an early date. It may therefore be persuaded to agree to it. But there is the genuine possibility that the party might be decimated in Gujarat if elections were held in the near future. Evidently that prospect is unbearable to the decision-makers in New Delhi. They want to win the elections everywhere, and they are prepared to debauch the process of parliamentary elections if that is the price that has to be paid for such victories. After this, is not all talk of maintaining the democratic traditions in the face of the danger of fascism sweeping the country, so much poppycock?

Teachers Pay

Part of the Pattern

A Correspondent writes:

IN universities and colleges across the country, teachers are agog at the announcement of the new salary scales for them which are to be immediately effective in the Centrally administered universities and their colleges and in the IITs. The teachers have unreservedly shown their joy even though the Union Education Minister's statement maintains an enigmatic silence on what is to happen to dearness and other allowances once the new scales begin to operate. If the rate of inflation is maintained at 25 to 30 per cent per annum, much of this new accrual will be quickly eaten into. Their present euphoria, moreover, would considerably postpone the time when college and university teachers would consider mobilising their forces to mount another offensive for getting their wages improved.

What motives could have persuaded the government to announce, in almost piecemeal fashion, these improvements in the emoluments of teachers at the higher reaches? Certainly, it is easiest to meet the demands of this section of teachers because, in view of the relatively limited number of such teachers, the attendant financial implications are small. A less obvious reason may be that what the government has in mind is an adaptation of the Pakistan model, experimented with by the late General Ayub Khan in the 1960s. Ayub and his advisers had a meticulously prepared blueprint for permanently alienating the elite group of teachers in the universities and colleges from the rest of the teaching fraternity. Teachers are the opinion-builders in a developing society, and, given the hierarchical arrangements in the field of education, university and college teachers could well be the most influential among them. To ply them with special favours was, therefore, considered sound investment. At least in West Pakistan, Ayub's ploy succeeded enormously. The intellectual community, led by the university faculty, remained docile in Punjab, Sind and elsewhere, even as Ayub had to give way to Yahya Khan, and the latter to Zulfiqar Ali Bhutto. All through, the top layer of teachers maintained their unswerving loyalty to the establishment. The model did not, however, work as well in East Pakistan, although here, too, a section of teachers — thanks to the purposive munificence of the government — had never had it so good and many of them had money to flaunt and could build more than one house or maintain more than one car. The university intellectuals in East Pakistan soon learned that, while their plight had improved enormously in relation to that of the wretched school teachers in the immediate neighbourhood, their counterparts in West Pakistan were doing even better; it was this that further set fire to their aspirations.

The anti-egalitarian bias in the government's decision would rankle among other teachers. There has been no announcement simultaneously of any improvement in the wage scales of the primary and secondary school teachers. It has been established fairly firmly, moreover, that investment in improving the salary scales of primary and secondary teachers is likely to lead to a much higher rise in educational productivity — whichever way you define it — than if this investment were made elsewhere. But the latest announcement is part of the general pattern of the wretchedly poor being kept waiting while the moderately comfortably off are further taken care of. The government's stock answer to such charges of blatant inequity is by now well known, namely, that it takes a substantially greater lot of money to improve the scales of primary and secondary school teachers. It is by the same perverted logic that the 'socialism' currently practised in the country concentrates almost exclusively on catering to the needs of a limited few rather than of the poor many; from tax policy to public distribution to wages of teachers, the pattern remains unchanged.

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Calcutta Diary

A M

PLEASE do come if you want to be regaled by the folk tales of Bengal. Calcutta's normal intake of power is close to 600 MW every day. For the past few weeks, it is getting only about half of that. Industrial production is on the verge of collapse, workers are being laid off in their thousands. The offices are still open, but nobody puts in any work, the lights and fans are out, the bosses' air-conditioners too. Clearing stops in the Reserve Bank, the electric trains halt mid-way, water cannot be pumped into the central reservoirs, the city, filthy in all seasons, is now confronted by the prospect of coping with the long, sultry summer *sans* water. Epidemic is round the corner; once it breaks out, the city, practically without any defences, will be a domino. Colleges and schools work listlessly, if at all, teachers and students come and go, they talk of the hell of the night, they talk of the hell of the day: dark, dark, dark, heat, heat, heat. Young people, who have to sit for their examinations, grope around in the dark, and the stop-gap arrangements for lighting, depending as they do on kerosene and gas, are equally chancy. Shops close early, and those vast sheets of darkness, the streets and thoroughfares, are taken over by the knife-wielding fraternity. Cinemas cancel their shows; the director, shooting a film, is left stranded in the midst of a crucial take; theatrical performances are ordained to unintended climacterics; even before Desdemona could be throttled to her death, the cut-off of power puts paid to Othello's demonic anguish. As economic activity droops here and there and everywhere, that awesome factor of inter-dependence comes to its own: x pulls y down, y pulls z down, z pulls something else down — down, down, down, it is, all the way, Yama the Pit.

Perhaps you nonetheless want to be regaled by the folk tales of Bengal. What ails power supply over here, you ask, and are treated to variegated stories, rich in imagination. The Calcutta Electric Supply Corporation, still a private outfit, has its captive plants; in addition, it draws from the West Bengal State Electricity Board's several units, and from the Damodar Valley Corporation. Each blames the other. Do go round and collect the alibis; it would be prelude to a debilitating sickness. The capacity to generate power is there, it cannot be commissioned in the short period. The capacity is not there, the decision-makers at the top had neglected power planning in the past. The cables are worn out; the cables have been stolen. The transmission line has not been laid; the transmission line has been laid, but anti-social elements have snipped away at the wires at several places; the transmission line is being laid, but foreign exchange is short, and some of the towers cannot be locally assembled. The equipment is all right, but there is some problem in 'marrying' it with imported equipment; the equipment is all right, but the engineers and technicians are not yet competent to handle the sophisticated machinery; there is nothing wrong with the technicians, they have however gone slow. It is a slander to say that the engineers are not working, it is the bureaucrats bossing over them, those who do not have a clue to the technical problems, who have messed everything up. Don't you see, it is sabotage, it is that private unit, the CESC, which, green with envy at the onward march of socialistic power, is at the root of it all; yes, it is sabotage, but no, not the CESC, it is the right reactionaries, teamed up with the radical Left, who are conspiring to get Indira Gandhi down by engineering this breakdown of power. Wrong again, it is sabotage all right, but it is the Left reactionaries who have taken the lead, the radical right is only making up the rear. The boiler has been damaged, because the ash content of the coal is high; the boiler has been damaged, because, it being a continuous process plant, the idiosyncrasy of coal supply has affected stoking operations. No, the boiler has not been damaged, it is the furnace oil which is not of the right specification, and Indian Oil must accept the responsibility. Did you say the coal supplied is of an inferior grade? Not quite, but the coal mills are not operating smoothly because they were not allowed to order spares. No, there are no problems in the coal mills; the Railways however are not moving the coal wagons, and stocks are low. How dare the DVC or the state government's Durgapur Project authority say that the Railways have slipped on the job? It is they themselves who have failed to turn the wagons around quickly. Tut tut, what is the point of shoving facts under the carpet? The fad of self-reliance is now running its course. Bhopal did not deliver in three years what it was supposed to do in six months, and the machinery now supplied is in any case way below standard. Did somebody seriously suggest that the BEL equipment is at fault, or that deliveries were behind schedule? Nonsense, we warned and warned and warned the government of West Bengal that it must allow for several trial runs before commissioning that Santaldih unit. But the chief minister of the state had a date with the Prime Minister on October 15; at his instance, the unit was opened at two in the afternoon on that day, and shut off at three, and has stayed shut since. What have you to gripe about, you didn't want the generation of power, you merely wanted the Prime Minister to commission the plant; well, she did do so, didn't she? You say that in several units, maintenance is poor, and spares have not been ordered in time. But I did my duty, I mentioned to the foreman, the foreman mentioned to the engineer in charge, the latter talked to the assistant general manager, the papers were passed on to the general manager, he transferred them to the managing director, but, what could be done, the Secretary of the Department didn't like his face, the minister had recently met a management expert who told him about inventory control, Finance didn't approve, the CWPC could not be bothered. No, we did send a representation to the CWPC; they relented, but it didn't pass the CCIE. Ah, well, the CCIE did in fact issue a licence, but it was not OCL, and North Block could not be persuaded to offer us some IDA credit. No, you are, each of you, wrong, the story goes back further, the basic deficiency lay in power planning. We are all all right; B C Roy, that great son of Bengal, that great visionary, was all right, Jawaharlal Nehru was all right, his daughter, Indira Gandhi, is a great socialist and a great Prime Minister; it is those wretched ones who belonged to the United Front, and held power in this state, in two spells, for a total of nineteen months during 1967 and 1969-70, who are the culprits: to the gallows, to the gallows, Jyoti Basu to the gallows.

So it is Jyoti Basu who killed cock robin. Unfortunately, diminishing marginal utility has set in, few are any longer impressed by such predictable

pieces of detection. One of the cardinal principles of survival is that if you have muffed production, at least display a modicum of tact and imagination in distributing whatever supplies you have; on the other hand, if you want to practise some sleights-of-the-hand in distribution, at least ensure that there is for the present enough to go round, so that the thieving does not invite too much comment. The powers that be over here do not believe in doing things by halves; they have messed up the generation of power, but the quality of competence they have exhibited in apportioning whatever power there is is even more bizarre. Unless you are one of those lucky ones who somehow always manage to call the coin correctly, your supply of electricity may be cut off any moment of any hour, any day and every day, night and day, mid-night and mid-day; it may not come back for thirty-seven minutes, or nine hours and thirty-seven minutes, or, were it to come back, it may go off again after a majestic interval of twelve and a half minutes. Other cities, Bombay and Madras, can have power rationed, but Calcutta — and West Bengal — are *sui generis*. The generation of power here follows a pattern of stochastic programming which flouts all bounds of system reliability; even the so-called non-parametric methods of solution are of little avail. Therefore while workers come to work, they are unable to do any work, because there is no power. Banks open, but no business gets transacted, power is playing hookey. You cannot pump water, therefore, bucket a rupee, you buy water: the choice is yours, to buy or not to buy water, to die or not to die. Shops cannot transact business, for darkness descends. Darkness, the summer heat, the perspiration, the agony of those, who already, reeling under the impact of inflation, now face the prospect of being indefinitely laid off, or otherwise are threatened with a sharp drop in earnings, since there is so little, not just of production, but of exchange too.

It is not a few paces from chaos, it *is* chaos. Does it matter though? The Congress Working Committee, that body possessed of extra-sensory perception, has asked its drafting committee to prepare a good, well-rounded essay, wherein the hardships of the people will be duly recognised, alongside with the elongated dilation on the theme that violence does not solve any national problem. The All-India Radio is working over-time, violence must be contained. The right to violence is a prerogative which does not belong to the masses. They can be denied their foodgrains. They can be denied their clothing. They can be deprived of their fuel and light. They can be deprived of their locomotion. Their children's education can screech to a halt. Their real income can be halved in the course of a bare two years. But so what, they are being offered *divertissements*. They can watch crooks become ministers, and watch how the profession of pilfering could be combined with the art of scapegoat-mongering. The prerogative of rushing to violence, like the prerogative of enjoying the fruits of democracy, however belongs only to a few. If the state of powerlessness makes you desperate, if the flesh threatens to weaken, if violent thoughts trespass the portals of your mind, read the text of the resolution drafted by the Congress Working Committee, or — since there is still a suggestion of left-over spring in the air — listen to the nightingale bellowing away.

This is an unhinged piece, but must not matter triumph over the mind? Who killed cock robin? Not I, says the Congress Working Committee. At the national plane, it is the fascists and right reactionaries. In Calcutta, it is still Jyoti Basu: the mileage you have been able to extract from that short-syllabic name is really fantastic. And given the frightening species of analysis making the rounds, one might as well forget about any qualitative improvement in the situation in the near future: demagogy is yet to be accepted as one of the fundamental laws of physics.

This is an unhinged piece. The emblem which the State Electricity Board here flaunts is explicit: Power to the People. After this Leninist invocation, what further evidence do you need that those who are blaming the authorities for the current series of woes constitute a fascist conspiracy, and deserve to be put down, mercilessly?

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The Revolt Enters the Congress

Romesh Thapar

THE inevitable has happened. The studied refusal of Indira Gandhi and her closest colleagues to react positively to the political and economic crisis, which is now spilling over into all areas of national activity, has nourished a rebellious mood in the leading echelons of the ruling party. A first demonstration was witnessed over the week-end in the Congress Working Committee. The debate was no longer on supposed ideological issues. The 'leadership' was in the dock for its inability to lead. 'Leadership' means, of course, Indira Gandhi.

Indira Gandhi continues to maintain her silent, detached, faraway posture. It is disastrous as a psychiatric gimmick because it damages morale throughout the Government of India, and at every level. "What will happen if we go on like this?" — that is the question which is invariably asked in the Capital. The extraordinary refusal to lead is naturally analysed and re-analysed by those who cannot accept simplistic surface signs. Interesting theories are being projected.

One group (oppositional, left-wing, radical) argues that Indira Gandhi is frightened by the forces and compulsions she herself let loose. To achieve a dramatic turn in the situation, she is permitting the political and economic crisis to develop in order to justify massive aiding operations and the entry of foreign capital. The recent story of Birlas and General Motors is seen as a kind of kite flying before all the other projected deals are announced. That such deals are being negotiated or "entertained" is generally accepted.

A second group (centrist, academic, professional, bureaucratic) is more political in its analysis of Indira Gandhi's stratagems. Drawing an analogy with the way in which the Naxalite threat in Calcutta was handled by getting the pulverised, exhausted population of the city to denounce its young "saviours", it is argued that the Prime Minister is carefully and deliberately allowing the political and economic situation to develop such deadly dimensions that a national emergency can be declared and the Constitution suspended. This theory is advanced by those who see Indira Gandhi as an undemocratic, autocratic manipulator of the present system.

A third group (trading, business, right-wing) is content to describe Indira Gandhi and her government as a bunch of irresponsible, unintelligent political operators. The thesis is that these wretched people have been living on the work done in the Nehru era and the economic inputs made at that time. Ugly comparisons are drawn between the old style and the new. Little confidence is expressed in the future unless "the lady" is thrown out.

And, finally, a fourth group (young, uncommitted, impatient, post-Independence) would like the present anger to build to a revolt which shakes the present system of political and economic management. The argument is that there is bound to be some improvement following such events. It is a numerous element and watches, often from the sidelines, for someone who makes sense.

Significantly, the supporters of Indira Gandhi and her government are silent. Occasionally, a fool stirs and makes a *durbari* remark which boomerangs. Do I have to list them? Not really. It is enough to say that the supporters are on the defensive, and for the first time since Indira Gandhi became Prime Minister.

It is necessary to record the Capital's thinking on the government, but the fact that this thinking is very much part of the whispered conversations of the Congress factions is significant. The revolt which stirs thinking in the towns of India and which is bound to find its way to the villages has now entered the ruling party. This fact is recognised and gives the critics within the party, whatever their exact ideological position, the strength to articulate their views.

For the moment, only angry criticism is heard. If Gujarat and Bihar inspire other states, then we may even see attempts to dissociate from the odium of the Congress party, corrupted, cynical, incapable of action. Of course, the tempo of the revolt is very much a matter dependent on Indira Gandhi's tactics and stratagems. This is acknowledged by her most bitter critics because the alternative to her does not crystallise.

All this speculation takes place against the back-drop of the threatened railway strike. At this moment of writing it looks very much as if the activists are being reduced to a minority. But one can never be sure of the end result with so much incompetence concentrated at critical points in the Government of India. The preparations for a confrontation, we are told, are well in hand. Keep your fingers crossed.

Indira Gandhi must be doing likewise as she expends four days in Iran. A major collaboration is being planned. But it will need more than sweet chatter and invocations. Too much power is in the hands of arrogant, unsure bureaucrats. Too little power is exercised by the men with expertise. We cannot afford to make mistakes and I hear we are, even in joint project estimates. More about that later.

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FROM OUR CORRESPONDENTS

THE ECONOMY

Abdication by Government

(From a Special Correspondent)

THE index number of wholesale prices (base: 1961-62=100) galloped by 64.4 index points in 1973-74 (from 218.5 to 282.9) compared with a rise of 26.2 points in the previous year. These two years together have added 90.6 points to the index or roughly equal to the rise (92.3 points) in the previous ten years from 1961-72. In percentage terms, the rise in prices works out to 29.5 per cent in 1973-74 on top of a rise of 13.6 per cent in 1972-73. The highest increase in any year in the past was 15.6 per cent in 1966-67. Taking the last two years together, the rise in the index comes to over 47 per cent. The average index for 1973-74 at 254 (which should broadly reflect the national income deflator) shows a rise of 22.7 per cent as compared with a rise of 9.9 per cent in 1972-73. In the previous three years, the annual average indices had shown modest increases: 3.9 per cent in 1969-70, 5.5 per cent in 1970-71 and 4 per cent in 1971-72. Thus, the Fourth Five-Year Plan saw an overall price rise of as much as 71 per cent on the basis of the weekly indices or 53 per cent on the basis of the annual averages of the base year and the terminal year, 1968-69 and 1973-74.

A few distinctive features of the price situation in 1972-73 and 1973-74 deserve attention. First, the behaviour of commodity prices in these two years, and in 1973-74 particularly, was marked by the absence of any post-harvest seasonal fall in the general index. The index was at 192.3 towards end-March 1972; it rose almost uninterruptedly to 207.6 by end-September 1972 on the eve of the kharif harvest of that year, unlike in 1971-72 when the index at end-September 1971 was 191.9 but declined to 187 in December 1971 and remained at 192.3 in March 1972; in still earlier years, there used to be a definite fall of 3 to 5 per cent in the index during the post kharif harvest period in October to March. By end-March 1973, the index had risen to 218.5. Thereafter, during the whole of the following one-year period, not only has the rise in the index been persistent but substantial — on an average 2.5 per cent a month.

Secondly, the price increases have been not only widespread but also large in almost every group and sub-group of commodities. The two major groups which contributed the most to the rise in the price index are 'food articles' and 'industrial raw materials', which together have 53.4 per cent weightage in the general index. Prices of 'food articles' rose by 28.7 per cent in 1973-74 on top of a rise of 15.5 per cent in 1972-73 and those of 'industrial raw materials' rose by 36.8 per cent on top of a rise of 32.4 per cent in the previous year. In these two years, the price index of 'food articles' rose by 49 per cent and that of 'industrial raw materials' by over 80 per cent. The weighted contribution of these two groups to the price rise of the two years would work out to over 60 per cent.

In the 'food articles' group, the index for 'foodgrains' rose by 28.4 per cent in 1973-74 and 17.4 per cent in 1972-73. Among foodgrains, rice prices recorded the highest rise of 35.2 per cent in 1973-74 in addition to an increase of 17.4 per cent in 1972-73, followed by pulses the index for which rose by 29 per cent and 24.2 per cent, respectively, in the two years. In these two years together, rice prices rose by 59 per cent and those of pulses by over 60 per cent. Jowar prices rose by 26.2 per cent in 1973-74 and 16.5 per cent in 1972-73 or by 47 per cent in the two years together. Among other food items, the important ones — edible oils, milk and milk products, fruits and vegetables, fish, eggs and meat — registered price increases ranging from 42 per cent to 92 per cent in the two years.

Among 'industrial raw materials', phenomenal price increases have occurred in raw cotton and groundnuts. The price index of raw cotton had risen to 338.1 by end-March 1974 from 166.3 at end-March 1972, recording a rise of 103 per cent in two years. The index for groundnuts rose from 189.6 to 376.8, i e, by 99 per cent.

In the rest of the commodities, be they agriculture-based or industrial, the price increase in 1973-74 has generally been over 20 per cent. Only a few commodities — wheat, sugar, leather products (shoes) and the minor group 'liquor and tobacco' — experienced price increases of less than 10 per cent. However, it is possible that in respect of wheat only the official quotations were included; if so, the index grossly underestimates the rise in prices. Only two important commodities, viz, gur and raw jute, showed a decline in prices, 6.5 per cent and 30 per cent respectively.

Thirdly, when the current spell of inflation began in early 1972, the major sources of pressure on the general price level were 'food articles' and 'industrial raw materials' — that is, largely agricultural commodities. This situation continued almost till the end of 1972-73; in that year, the wholesale price index of agricultural commodities (which have a weight of 33.2 per cent in the general index) rose by 21.2 per cent, while the general index rose by 13.6 per cent. As a result, there was a sharp shift of the crude domestic commodity terms of trade in favour of agricultural commodities. The ratio of the index of wholesale prices of 'agricultural commodities' to that of 'manufactures' rose from 114.4 in March 1972 to 130.8 in March 1973. In 1973-74, while the prices of agricultural commodities continued to rise, those of 'manufactures' also followed suit. The indexes for 'manufactures', 'machinery and transport equipment' and 'chemicals' registered increases of 27.6 per cent, 18.2 per cent and 26.2 per cent, respectively, as against increases of only about 5 per cent in each of them in the previous year. Even in 1965-66 and 1966-67, the earlier worst years of inflation, the price index of 'manufactures' had risen only moderately. But though prices of manufactures rose substantially in 1973-74, the crude terms of trade continued to move in favour of agricultural commodities. In February 1974, for which month data are available, the ratio of the index of agricultural commodities to that of 'manufactures' further rose to 134.3. However, the rate of increase had slowed down as the prices of manufactures rose quite sharply in 1973-74. This suggests that the rise in the prices of wage goods and industrial raw materials has begun to get reflected in the prices of manufactures. And among manufactures, those items relevant for investment have also started catching up. As a result, the project costs visualised two years ago might witness overruns of around one-third.

Lastly, the most important feature of the price situation in 1973-74 is that despite noticeable increases in output and overall availability of particular commodities or group of commodities their prices have not only failed to record any fall but have shown phenomenal increases. In foodgrains, the output of kharif crops, which had declined from 69 mn tonnes in 1970-71 to 63 mn tonnes in 1971-72 and to 57.1 mn tonnes in 1972-73 is said to have made a sharp recovery in 1973-74 to 67-68 mn tonnes. The output of kharif rice is estimated to have risen to 40.5 mn tonnes from 35.9 mn tonnes in the previous year; in the previous best year of 1970-71 output of kharif rice was 39.6 mn tonnes. Yet rice prices rose by as much as 35.2 per cent in 1973-74. Jowar (kharif) and bajra are estimated to have achieved an output of 6 mn tonnes each against 4.9 mn tonnes and 3.8 mn tonnes, respectively in 1973-74. The case of bajra, which registered a small price fall of 1.7 per cent in the year, is a special one: the fall occurred because of the imposition in October 1973 of informal price control by the Maharashtra government which, continued upto the end of January 1974 and the stoppage of trading in bajra following reports of bajra poisoning (wholesalers and retailers were asked in December 1973 to stop sale of bajra in Maharashtra). However, after the resumption of trade there has been a rise in bajra prices in the Bombay market; by mid-April they were 15 per cent above the end-January 1973 level.

The contradiction of rising prices despite higher output is best seen in raw cotton. Despite a reduced output of the crop in 1972-73 at 55 lakh bales compared to 66 lakh bales in 1971-72, the supply position of raw cotton in that season was relatively comfortable as a result of a large carryover stock of 24 lakh bales from the previous season. This was followed by a sharp improvement in output by at least about 5 lakh bales in 1973-74 (September-August). The carryover stock from 1972-73 season is expected to be 30 lakh bales. Despite imports being placed lower at about 1.4 lakh bales against 4.6 lakh bales, this would leave a stock of over 20 lakh bales of raw cotton. Despite such a comfortable supply position, prices of raw cotton registered a sharp increase of 73.2 per cent during the financial year 1973-74.

Likewise, the output of oilseeds is expected to go up by 2.7 mn tonnes to 9 mn tonnes, falling short of the peak reached in 1970-71 by only 0.3 mn tonnes. Groundnuts output is higher at 5.6 to 5.8 mn tonnes against 3.9 mn tonnes last year, a rise of over 45 per cent. Yet oilseeds prices were up by 41.4 per cent and those of groundnuts by 88.4 per cent in 1973-74 (April-March).

The behaviour of raw jute prices is the exception to this pattern in that they seem to have responded to the increase in output from 65 lakh bales to about 75 to 80 lakh bales. With recorded imports from Bangladesh of about 6 lakh bales and carryover stock of about 12.8 lakh bales, overall availability would be between 94 and 99 lakh bales against 84 lakh bales in 1972-73. There is also considerable smuggling of raw jute from Bangladesh which is now placed between 5 and 10 lakh bales. The market is thus flooded with raw jute. Against this, due to frequent disruption of power supply, consumption of raw jute by mills will not go beyond 72-73 lakh bales against 71 lakh bales last year. There is thus a considerable surplus of raw jute in the market and with the mills.

Wheat output last year, despite the crash programme and all that, was a disappointment. Official estimates had placed it at 30 mn tonnes in 1972-73 but subsequently scaled it down to 26.4 mn tonnes and further to 24.9 mn tonnes. It is very likely that part of this scaling down was intended to explain away the government's failure to procure the targeted quantum for public distribution. Despite the now widely recognised tendency of declining productivity in wheat, the output in 1972-73 was unofficially estimated at around 26 mn tonnes at least, the same as in 1971-72. This estimate is supported by the relatively easy availability of wheat in the open market. This is possibly why wheat recorded the lowest increase in price among foodgrains, 6.0 per cent in 1972-73 and 9.5 per cent in 1973-74. However, the lower order of increase in the wholesale price index of wheat in 1973-74 is obviously due to the inclusion of only the official price quotations following the government takeover of the trade in wheat.

Besides wheat, the output of coarse grains and pulses suffered a severe setback in 1972-73. Output of pulses was estimated at only 9.5 mn tonnes against 11.1 mn tonnes in 1971-72. Likewise, jowar output was placed at 6.4 mn tonnes against 7.7 mn tonnes in the previous year and the output of bajra at only 3.8 mn tonnes against 5.3 mn tonnes. In some of these crops, output since the inception of the new agricultural strategy has been consistently below the peak levels achieved as early as in 1960-61. This is the result of shift of acreage away from them. It could be said that because of such sharp declines in output in the previous year, the improvement in 1973-74 in the kharif output of coarse grains and pulses possibly did not make much of an impact on the price index.

On the whole, however, the supply of the key commodities was significantly better in 1973-74 than in the previous year. National income at 1960-61 prices is estimated to have grown by about 6 per cent compared with a decline of 1.7 per cent in 1972-73 and a rise of 1.7 per cent in 1971-72. The increase in the commodity output segment of national income should be still higher. The commodity composition of total output has moved in favour of agricultural commodities, overall agricultural output being estimated to have risen by over 12 per cent. Foodgrains output is likely to be around 108-110 mn tonnes, which will give a rise of not less than 14 to 15 per cent. Among foodgrains, rice output in 1973-74 is expected to be about 43.5 to 44 mn tonnes assuming that the summer rice output is 3 to 3.5 mn tonnes. There would thus be an additional rice output of over 5 mn tonnes, which is substantial by any reckoning. In wheat it is probable that the output may not exceed 26.5 mn tonnes due to the shortage of fertilisers and the declining trend noticed in productivity. Among coarse grains, bajra output is expected to achieve a sharp rise from 3.8 mn tonnes to 6 mn tonnes and output of jowar from 6.4 mn tonnes to 8.5 mn tonnes. Similar increases are anticipated in the output of pulses.

The latest *Economic Survey* has sought to argue that while the output of foodgrains in 1973-74 may have risen to somewhere near the earlier peak output of 1970-71 (108.4 mn tonnes), the population and the needs of society as also monetary outlays have also grown over the period. But therein lies the need for the public management of the food economy. If the needs of society are the criterion, the Fourth Plan had placed a target of 129 mn tonnes whereas we have not been able to cross even the 110 mn tonnes mark so far. Secondly, given the existing pattern of income distribution, a per capita availability

of 14 to 14.5 ounces per day is sufficient to ensure relative price stability in foodgrains. If the effective demand of the poor improves, the demand for food may go up. But the incomes of the poor have not seen any improvement. If there has been some semblance of a balance in between demand for and supply of foodgrains, as happened during 1967-68 to 1970-71, it is essentially the result of persistingly low effective demand of the poor arising from lack of growth of employment. Thirdly, there is reason for suspicion that foodgrains output is being considerably underreported for various reasons: by the surplus states to avoid obligations under public procurement; by the deficit states to secure larger supplies from the central pool; and by areas hit by distress to get larger financial assistance, including concessional assessment of land revenue.

The point that we have sought to make is that the unprecedented increase in the price level is the result by and large of factors other than the supply-demand balance. This is evident most clearly from the 'large increase in the price index of 'industrial raw materials', particularly of raw cotton and oilseeds, despite their vastly improved availability.

Industrial Stagnation

In the industrial sector, the performance with respect to both output and employment has been very discouraging. The CSO's average index of industrial production (base 1960 = 100) for the period January-October 1973 at 196.4 shows an absolute decline of 1.2 per cent over the corresponding period of 1972. Advance figures of certain key commodities like mill cloth, cotton yarn, jute textiles, cement, aluminium, etc, show absolute reductions during the calendar year 1973 ranging from 1 to 8 per cent.

It is true that a few industries in the engineering sector such as heavy engineering, heavy structurals, metal products and transport equipment have done better as the result of a few large projects getting under way. Diesel engines showed a phenomenal increase in output in the wake of the drought in certain areas and the general shortage of electricity. Electric motors and power transformers have received some impetus from increased outlays on power generation and transmission. Railroad equipment and motor vehicles showed only marginal improvement in output. The significant growth in the output of industrial machinery is partly due to the implementation of a few projects in the pipeline; for the rest the increase is fictitious arising from the increase in the value of the machinery, since for industrial machinery the value of output rather than the physical output is used for the index. In any case, these four sectors, showing improvement in output, have a weightage of less than 15 per cent in the general index and hence they could be hardly expected to make any difference to the otherwise all-round stagnation in the industrial sector. Besides, the increased output of these four items has not made any noticeable impact on their prices. Despite the existence of heavy under-utilisation of capacity, the price index of machinery and transport equipment has spurted by 18.2 per cent in 1973-74 (among them, non-electrical machinery by 22.6 per cent, electrical machinery by 12.1 per cent and transport equipment by 14.4 per cent).

Immediately, the discouraging performance of industry is attributable to the mismanagement of the four key sectors of the economy; railways, power, coal and steel. But in a wider context it reflects the cumulative impact of stagnation in aggregate investment and in industrial investment in particular in the economy. However, given the all-round stagnation in industrial output, the demand for products from the consuming industries should in the normal course have been low, as happened in 1966 and 1967 and 1970 and 1971, and hence their prices should not have risen so fast. In industry, again, the supply situation alone does not, therefore, explain the order of increase in prices.

The explanation to the price rise in the last two years has to be sought in more general factors. To summarise them:

(a) The government has failed completely in supply management. It has failed to implement even a minimum programme of public procurement and distribution in foodgrains. There has been no rational policy of building buffer-stocks of key industrial raw materials. Prices fixed for state procurement have been in excess of what would be warranted by cost and even market considerations. Rich farmers, traders and manufacturers have been left free to withhold stocks and sell in the 'unofficial' markets at exorbitantly high prices. Finally, rich farmers, traders and industrialists have realised, particularly after the failure of the state take-over of the wholesale trade in wheat, that the government can be pressurised into abandoning inconvenient policies.

(b) There has been total absence of demand management. There have occurred vast increases in money supply and aggregate monetary resources during the past three years as a result of large increases in net bank credit to government and credit to the commercial sector unrelated to the growth in productive assets or in real output. No effective measures have been taken to curb the scourge of unaccounted money. Non-functional, speculative demand has been augmented through the vast expansion in commercial bank credit which has also helped excessive inventory build up in different segments of industry. The absence of an effective interest rate policy in keeping with the trends in the commodity prices, etc, has not only not provided any incentive for rational inventory management but has also created a series of distortions in the capital market.

(c) Lastly, investment in the economy has been stagnant. The cumulative impact of this has been felt in the mounting scarcities of a series of key commodities like coal, steel, non-ferrous metals, basic and intermediate chemicals, dyes, cement, railway wagons, commercial vehicles, paper and paper products, and transport and power. This in turn is the result mainly of the fact that over a period of years a persistently shrinking proportion of total government expenditure has gone for development or for creating physical assets. As a result, private sector investment too has sagged. The financial resources mobilised over the successive Plan periods have far exceeded the original financial targets but the physical achievements have lagged far behind.

Failure of Supply Management

Let us take these points for more detailed consideration, beginning with the failure in supply management, especially in regard to foodgrains. The physical supply of foodgrains in 1973-74, we have seen, did not warrant the rise in foodgrain prices that took place. The explanation is the poor management of the food economy. The government has persistently failed to gain command over the critical minimum of 11 to 12 mn tonnes of foodgrains out of the marketed surplus to satisfy even the existing grossly inadequate public distribution system. From out of the 1973 rabi output, government could procure only 5 mn tonnes which not only fell short of the reduced target of 6 mn tonnes but also of the actual procurement of 5.1 mn tonnes in 1972. From out of the kharif rice output, it could procure just 3 mn tonnes against the target of 5 mn tonnes. Against the target of procuring 1.65 mn tonnes of coarse grains actual procurement was only 0.3 mn tonnes. Repeated increases in procurement prices have not helped the procurement drive. With the tardy progress of public procurement, stocks of foodgrains with the government declined to the low level as 2.8 mn tonnes at the end of December 1973.

Similarly, despite increases in sugar output, the government has deliberately reduced the quantum of monthly releases of sugar, pushing up open market prices. In the case of raw cotton, a major factor responsible for the sharp increase in prices is the permission granted by the Forward Markets Commission to trade in non-transferable specific delivery contracts in October 1973 in many important new crop varieties. Besides state agencies in Maharashtra and Gujarat have been vying with each other in offering higher prices to their respective growers. At a time when prices were rising the Maharashtra government withdrew the government monopoly in trade in Kapas which pushed up prices further. In addition, the Cotton Corporation of India also operates as a bulk buyer of raw cotton. Despite the galloping prices, the Textile Commissioner failed to impose stock restrictions on mills till the second week of April 1974. Similarly, in oilseeds, the procurement of groundnuts by a state trading agency in Gujarat has resulted in severe scarcity conditions outside the state.

Even in regard to industrial commodities output of which has not risen, there is no justification for the very sharp increase in prices. One reason for the rise in prices of industrial commodities is the tendency to pass on every cost increase to the consumer automatically. But the major cause is speculative holding of inventories of raw materials and finished goods. This is corroborated by the colossal expansion of bank credit far beyond what the growth of real output warrants.

Unchecked Monetary Expansion

This brings us to the second point, demand management. Data on aggregate demand as represented by total national expenditure are not available. Nor can the trends in any segment of it — consumption expenditure (public and private), investment expenditure (public and private) and net imports of goods and services plus net factor income receipts from abroad — be estimated accurately. But, certain trends in 1973-74 are discernible. First, aggregate national expenditure in money terms must have grown very substantially, as can be seen from the expansion of as much as Rs 1,339 crores (14.2 per cent) in money supply in 1973-74 against Rs 1,274 crores (15.7 per cent) in 1972-73. The national expenditure in a given year also gets augmented by the increases in money stock in the preceding few years. The growth in 'money supply' (demand deposits plus currency) has accelerated thus: 11.8 per cent in 1970-71, 14 per cent in 1971-72, 15.7 per cent in 1972-73 and 14.2 per cent in 1973-74. Inclusive of time deposits, the growth in aggregate monetary resources has been 13.4 per cent, 16.7 per cent, 17.9 per cent and 16.5 per cent, respectively, in these years. Against this, the rate of growth in real income had been declining upto 1972-73 thus: 4.3 per cent in 1970-71, 1.7 per cent in 1971-72 and — 1.7 per cent in 1972-73. The estimated increase of about 6 per cent in 1973-74 is a welcome reversal of the trend.

Secondly, the government sector has been appropriating a larger share of the increased national expenditure every year. There was some slowing down of this trend in 1973-74. In 1973-74 net bank credit to the government sector was Rs 970 crores against Rs 1,324 crores in 1972-73, while gross credit to the commercial sector amounted to Rs 1,386 crores against Rs 1,123 crores last year. The government also mobilised lower amounts of tax and other non-tax revenue in 1973-74 than in 1972-73. This is to some extent reflected in the slower growth of total expenditure of the Central government by Rs 452 crores (6 per cent) against Rs 1,139 crores (17 per cent) in 1972-73 and Rs 1,134 crores (20 per cent) in 1971-72. In sum, though national expenditure increased in 1973-74, the private sector appropriated a larger share of this expenditure than in the previous year.

Thirdly, of the increases in expenditure of both the public and private sectors in 1973-74, a larger share seems to have been earmarked for consumption than in the previous year. As a result, the share of investment in both the public and private sectors has dwindled, reflecting a decline in the proportion of saving and investment in national income in 1973-74.

The major sources of investible resources for the private corporate sector are: retained savings, loans from term-lending institutions and fresh share capital. Quick studies show that there was a decline of about 40 per cent in the retained savings of private corporate bodies. Fresh capital raised also declined by Rs 20 crores from Rs 90 crores in 1972-73 to Rs 70 crores in 1973-74. On the other hand, disbursement by the term-lending institutions has been stepped up, though a part of it was reportedly used for working capital. In sum, it is obvious that investment in money terms in the private corporate sector would have been only marginally higher than in the previous year. But in real terms, after allowing for the higher cost of investment, there is unlikely to have been any increase. Financial assets of the household sector also failed to grow in 1973-74 at the same rate as in the previous year. Indications are that in the wake of reduced cement, steel and other construction and investment materials, overall private investment was lower than in the previous year in real terms.

Likewise, there are indications that public sector investment too has lagged behind the growth in public consumption expenditure. For instance, developmental expenditure (Rs 3,848 crores) as a proportion of the total expenditure of the Central government was to rise from 51.3 per cent in 1972-73 (RE) to 53.1 per cent in 1973-74, according to the budget. Now it is likely to register a sharp decline to about 46 per cent. Again, though the total expenditure of the Central government expanded by Rs 452 crores, capital formation expenditure was estimated to go up by only about Rs 107 crores, or just 33 per cent of the increase in total expenditure, instead of 37.7 per cent visualised in the budget estimates. The budget had sought to keep consumption expenditure pegged at Rs 2,269 crores in 1973-74 but the revised estimates place it higher by Rs 69 crores at Rs 2,331 crores. But more important, total current transfers were to decline from Rs 1,841 crores in 1973-74, whereas now they would rise by Rs 247 crores to Rs 2,099 crores.

The share of development expenditure in the total expenditure of the Central government was as high as 59.4 per cent in 1964-65, but it had dwindled to 46.6 per cent by 1970-71; in

1972-73 it rose to 50.2 per cent; the budget estimates for 1973-74 had placed it still higher at 53.1 per cent, but the revised estimates now put it at 46.4 per cent. The share of capital formation expenditure in the total expenditure of the Central government was 48.3 per cent in 1964-65 but by 1971-72 it had dwindled to 32.2 per cent. In 1973-74 it was budgeted to rise to 37.7 per cent, but the revised estimates put it at 33 per cent.

Lastly, because of the decline in the proportion of resources mobilised by the government devoted to investment, while resource mobilisation for the Plans has exceeded expectations, Plan targets in the key sectors have failed to be achieved. The total public sector outlay visualised on the Fourth Plan was Rs 15,902 crores (at 1968-69 prices), but at current prices the actual outlay would come to Rs 16,201 crores. In real terms, however, the Fourth Plan would show a shortfall of about 20 per cent. Foodgrains output should have reached 129 million tonnes in 1973-74 but the actual achievement would not exceed 110 mn tonnes. Rice output was to be 52 mn tonnes but the actual production would be 44 mn tonnes. The sharpest shortfall has occurred in coarse cereals (estimated achievement of 28.5 mn tonnes against the target of 33 mn tonnes) and pulses (11.5 mn tonnes against 15 mn tonnes). In basic industrial goods, against the coal output target of 93.5 mn tonnes, the actual production is placed at 79 mn tonnes. The output of mild steel is estimated at 5.44 mn tonnes against the target of 8.1 mn tonnes. Steel castings were to be of the order of 2.25 lakh tonnes against the achievement of 0.8 lakh tonnes and forgings 2.20 lakh tonnes against 0.86 lakh tonnes. The cement target was 18 mn tonnes against the likely production of 16 mn tonnes. The output of commercial vehicles was targeted at 85,000 at the end of the Plan whereas it has just reached 48,000. Output of railway wagons was only 13,000 while the target for 1973-74 was 21,500 wagons and the industry's output capacity is over 40,000 wagons. The index of industrial output (base 1960 = 100) was to have risen to about 237 against the present index of 199, showing a rise of only 23.6 per cent against the anticipated increase of 47.3 per cent.

The foregoing account brings out certain key elements of the current economic scene. They are:

(1) Though on the face of it the imbalance between aggregate supply and aggregate demand had narrowed a little in 1973-74, the gap was still wide. Besides, the demand pressures of a given year get considerably augmented as a result of the additions made to monetary demand during the past few years. During the years 1970-71 to 1972-73 money supply increased even as real income growth had decelerated. Even so, the unprecedented rise in commodity prices in 1973-74 cannot be explained only by the imbalance between supply and demand.

(2) On the supply side, the overall supply as well as supply of individual commodities were noticeably better in 1973-74 than in 1972-73. Therefore it was not so much supply shortages as the speculative demand for commodities facilitated by the confluence of a series of circumstances that was responsible for the price inflation. Prominent among these circumstances are: (i) augmentation of the incomes of rich farmers, traders and industrialists as a result of the earlier increases in commodity prices, which has increased their holding power; (ii) large government disbursements, including by deficit financing, for non-developmental purposes, much of which has gone to the richer sections of the community; (iii) unprecedented expansion in bank credit that has further augmented the power of the rich to hold commodities; and (iv) above all, failure on the part of the government to implement its policy of public procurement and distribution, particularly for foodgrains. In foodgrains as well as in other commodities, state trading has operated in such a way that it has actually become detrimental to the objectives of price stability. These operations have prevented the economy from deriving the benefits of increased output as a result of the buying agencies themselves fixing higher prices than warranted by the market and cost conditions. State trading in farm commodities has failed to bring about any correction of inter-crop price variations. There is also no sign of a buffer-stock policy to even out price fluctuations in different seasons.

(3) On the demand side, financial mismanagement has taken place in the government sector and, with the government's connivance, also in the private sector. Certain ills of the management of the private sector are obvious: absence of cost consciousness, lack of disincentives for excessive build up of inventories, passing on of every increase in cost to the consumer, lack of any desire to save and undertake large investments in critical areas, heavy reliance on the term-lending institutions for finance, reluctance to widen the capital base of companies, pre-empting of industrial licences and finance, undertaking investment in low-priority, luxury goods industries, etc. For all these, one part or the other of government policy is responsible. In the provision of term capital, for instance, the term-lending constitutions have been generous with ready and cheap loans. Similarly, the licensing machinery has functioned as if it were unaware of Plan priorities.

(4) In the larger context, these ills in the private sector arise out of the failure of the public sector to sharply raise its savings and investment. About 70 per cent of the investible resources in the economy are appropriated by the governmental sector for defence, development and social welfare. Each one of these has got, over the past eight years, a lower proportion of total disbursements indicating that vast funds are being squandered away on current consumption. All such expenditures, in the absence of additional employment-generation, which is the only source of income for the poor, have benefited the richer tax-evading classes of society and have been responsible for the distortions in the demand as well as investment pattern in favour of luxury goods.

(5) The key to giving a push to industrial activity and investment, therefore, lies in a radical change in the finances of the government sector. Having allowed non-developmental expenditure to grow unchecked, the government will find it difficult to stop it from growing further. But unless the growth in it is stopped, there can be no hope of the economy reviving. For instance, financial resources transferred to state governments and other parties now form about 36 to 37 per cent of total Central expenditure compared to 25 per cent during the Third Plan period. If the transfers are now brought back to this level of 25 per cent, the saving could be about Rs 1,000 crores. Once such radical measures are effected, it will have a chain reaction. The state governments will be compelled to tax the rich farmers, to manage the state electricity boards better and earn higher revenues. In any case, without a revolutionary change in the management of government finances, the vicious circle of growing non-development expenditure and stagnant investment cannot be broken.

RAILWAYS

Pre-emptive Strike by Government

M R

THE government and the Railway Board had three whole months in which to negotiate with the unions to avert the strike called for May 8. But those in charge of the negotiations with the unions chose instead to make the absence of a formal strike notice the pretext for not holding substantive negotiations. When, however, the notice was formally served on April 23, it was promptly declared that such a strike would be illegal. The DIR was invoked for this purpose. And, even before the suspended negotiations could be resumed on April 27, a pre-emptive strike in fact came from the government in the form of cancellation of a large number of passenger trains.

The unions, on the other hand, had made it clear that they would like to avoid the strike if a negotiated settlement could be arrived at before the May 8 deadline. The unions did not seem averse to extending the deadline — more than once if need be — if there was a real breakthrough in the negotiations. The unions were even prepared to put off the strike until July, reckoning that the government would be more vulnerable to their demands eight weeks later. But the government seems to have been bent on forcing the strike on the unions at the time of its own choosing as it had made all the preparations to counter it — while, all the time, it has been placing the onus of it on the unions.

For weeks now, the Political Affairs Committee of the Cabinet has been discussing contingency plans to meet the strike situation. In the corridors of Rail Bhavan there has been talk of stoppage of all passenger trains for a whole month, if need be, to give priority to the movement of essential goods during the strike. The Political Affairs Committee was evidently more concerned with crushing the strike than with giving thought to the demands of railwaymen. Preparations to this end have been meticulous. A secret circular was issued, directing that no leave should be given to railwaymen. Retired railwaymen were being recalled and union functionaries were being detained — notwithstanding L N Mishra's assurance that there would be no such action during the negotiations.

The consensus on a charter of demands earlier this year had suggested that the first-ever all-India railway strike was a distinct possibility — especially as none of the assurances given to the railwaymen earlier had been fulfilled. But the government's response to the situation was to use strong-arm tactics. The negotiations were, therefore, bound to run aground.

The locomen's bitter experience had exposed that the government cannot be trusted to honour an agreement. The accord on their demands, following their strike in August 1973, was not honoured. There was thus another agitation in December 1973 and in 1974 a new agreement was reached. The sectional strikes of railwaymen in 1973 should have given the government sufficient indication of what was to follow. The Railway Labour Conference on February 4, 1974, provided it yet another opportunity to judge the railwaymen's mood. On February 27, the National Convention of Railwaymen, called on the initiative of the All-India Railwaymen's Federation, in which all the major unions (recognised or unrecognised) participated decided to serve notice on the government on a six-point charter of demands. The fact that some of the unions were not recognised ones was made the pretext for refusing to negotiate — though only last year the Railway Board had to eat humble pie by being obliged to negotiate for the first time with the 'unrecognised' union of locomen.

At last, much to the discomfiture of the Railway Minister and his Board, the Labour Minister initiated informal talks not only with the 'recognised' All-India Railwaymen's Federation but also the newly formed Indian Railway Workers' Federation dominated by the CPI and the category-wise (unrecognised unions) who were party to the six-point charter of demands. He also brought within the ambit of the talks the various central trade union organisations — among them the AITUC, the RMS, the CITU and the HMS. Only the Congress-dominated National Federation of Indian Railwaymen (another 'recognised' body) chose to conduct separate negotiations behind the scene.

These informal talks were meant to pave the way for the formal negotiations from April 15, between Member (Staff) of the Railway Board and the National Co-ordinating Committee of Railwaymen. The latter Committee included not only the recognised AIRF but also various unrecognised unions. The CPI and the CPI(M) leaders who have a hold over many of the unrecognised unions evidently persuaded the AIRF president, George Fernandes, to fall in line with them as the real strength lay with the unrecognised category-wise unions whereas the AIRF, like the NFIR, is little more than an ornate body. Thus indirectly, the unrecognised unions became party to the negotiations carried on with the Board through the co-ordination committee which had set up a negotiating committee.

But the Railway Board had the same reply to each of the six demands: they were not negotiable. Meantime, the government mounted the propaganda that the demands would cost the taxpayer another Rs 450 crores per year. In any case, the negotiations were irrelevant since the Member (Staff) of the Railway Board had no mandate and the government was in this way merely trying to wear the unions down. When it was clear that the negotiations had come to a dead-end, L N Mishra announced that the Board Member's word was not the last one. Negotiations were renewed, but without a breakthrough. The unions finally served notice of a strike.

Bonus is one of the demands. Even the NFIR agrees with all the other unions on the bonus issue. The Railway Board has contended that the Railways are not an industry (though even the ILO had held them to be so as early as in 1916) and, therefore, that there was no question of conceding the 8.33 per cent bonus demand. At the same time, the Board has taken the position that the unions should await the report of the Bonus Review Committee.

Another major demand concerns dearness allowance. Though the cost of living index has touched 260 points, the railwaymen's Dearness Allowance is based on the consumer price index average for 12 months.

The unions are demanding a need-based minimum wage, pending which their wages should be brought on par with those of other industrial workers. The Board's contention is that this is a complicated question as wages in railways are related to wages in other departmental undertakings such as Post and Telegraphs and that therefore the issue of any changes in them belongs to the realm of the wage policy of the government; in any case, the Finance Ministry would veto the de-

mand even if the Railway Ministry conceded it.

The unions are also demanding eight-hour duty. The workload of railwaymen has increased severalfold since the last classification of work in 1947. Moreover, of 17.5 lakh employees over 3.34 lakhs are casual labourers who have been getting just the daily wages for years; permanent jobs for casual labour is therefore one of the demands.

A crucial demand is that the railway staff should be treated as industrial workers. Where the provisions of general labour legislation collide with railway regulations, the latter are applied to railwaymen. This restricts normal trade union activity of railwaymen who can be penalised even for holding meetings.

It is in its attitude to these other non-financial demands (like trade union rights) that the authoritarianism of the government stands exposed. Far from taking a conciliatory attitude in keeping with its socialist protestations, the Railway Board and the government have opted for a tough line, as if to serve notice on one and all that there is no question of tolerating agitation in the public utility services or where the government is the employer. The unions have been charged with political motivations and with conspiring to paralyse the economy to undermine political stability.

NORTH

Powermen's Strike

SABOTEURS have been active in Punjab, and to a lesser extent in Haryana, demolishing electric installations, sawing and felling huge transmission towers and otherwise tampering with power supply. Suddenly, there is a demand for worn-out cycle chains. Thrown across live wires, they disrupt power transmission. The Punjab State Electricity Board Employees' Union has denied that the miscreants belong to its ranks. But the fact that such acts of sabotage can be performed only by persons having the necessary expertise indicates that, in the pursuit of their demands for higher emoluments, Punjab electricity workers have lost all sense of proportion.

Since the strike commenced on April 16, many areas have been plunged into darkness for long stretches of time. Several workers have been caught red-handed, with hacksaws, blades and other tools. The arrests in connection with the powermen's agitation already exceed 1,200 and the end of the agitation is not in sight. The Punjab government has adopted a firm stand and has refused even to initiate talks with the agitators until the strike is called off unconditionally.

The union's immediate demand is for interim relief of Rs 30 per month — a seemingly simple and rational plea. But the Punjab State Electricity Board has been incurring heavy losses in recent years. The annual revenue now is Rs 25 crores, but the expenditure is Rs 44 crores, the loss being Rs 19 crores yearly. Besides, the workers' emoluments have increased by 200 to 400 per cent in a decade.

Fearing a chain reaction, the State Electricity Boards of Punjab, Haryana and Himachal Pradesh have jointly decided not to sanction any further increase in emoluments to their staff. The layman has much reason to believe the description of the Electricity Boards as "dens of corruption" by a former Haryana Chief Minister.

An apparently ill-timed announcement of the increase in the maximum emoluments of Punjab Electricity Board members from Rs 2,500 to Rs 2,750, made when the strike was at its peak, has given another cause for provocation of the workers. From April 24 Haryana Electricity Board employees also started an indefinite strike, though the authorities have managed to avoid major shut-downs.

Higher Tariff

By an interesting coincidence, the Punjab State Electricity Board raised its tariff for consumers within hours of the commencement of the strike. A notable feature of the new tariff is the departure, at long last, from the old pattern under which the bigger consumers paid at a lower rate per unit than the smaller fry, both for domestic and commercial uses. The new slabs have made electricity costly for the upper slabs. Besides, there is a special surcharge on agricultural consumers who would henceforth be required to pay Rs 1.50 as a flat rate per hp. The revised tariff will yield an additional annual income of Rs 7 crores. It would cover less than half the Board's deficit.

This, however, is not the only new financial burden on the Punjab taxpayer. On April 18, barely a day after the power tariff revision, the Punjab government announced a Rs 13-crore tax package, to be imposed by ordinances and special notifications. The state's 1974-75 budget presented on February 27 sported a Rs 38.39-crore deficit, but except for 50 per cent enhancement of the market fee, no fresh tax was levied. The new imports are by no means light nor are they the sudden result of any emergency. The "shocks" came a month after the assembly's budget session had ended. This practice of taxation by ordinance is becoming quite the fashion in some states. It is quite obviously an abuse of the ordinance-making power. Some of the levies affect the masses directly and substantially — the 25 per cent increase in passenger fares (to yield Rs 3 crores), the increase in entertainment tax from 60 per cent to 100 per cent and in the water rate by 100 per cent (150 per cent on orchards), the 100 per cent increase in the token tax on buses and trucks, and the higher sales tax on petrol and diesel.

The opposition parties, and even a section of Congressmen, have reacted sharply to the new taxes. They have pointed out that, despite the government's frequent declarations that only the richer sections of the community would be taxed, it is the poor who have been hit hard. The 25 per cent increase in bus fares, they contend, is designed to benefit private operators whose goodwill is considered politically important. The CPI, Punjab Congress's electoral partner, has demanded withdrawal of all levies which hit the common man and has urged, instead, the mopping up of the surplus income of the rural rich and complete nationalisation of passenger transport (at present private buses run on several routes). The Akalis, the principal opposition group, have demanded a special assembly session before the new taxes are enforced. They have threatened "some other action" if the government resists this demand.

Even though the total output is stated to be higher than last year and the government has offered substantial price incentives to the growers, the arrivals of wheat in Punjab and Haryana markets are much slower this time. Up to April 20, only 6,613 tonnes of the grain had been brought to the markets against 28,323 tonnes in the corresponding period last year. The private traders are mopping up whatever they can get, at prices ranging between Rs 110 to Rs 130 — much higher than the official procurement price of Rs 105. At many centres the obligation on traders of turning over 50 per cent of the purchases to the government has not yet been legally imposed and the wholesalers are taking full advantage of the situation. The large landowners are, as usual, withholding stocks. According to reports, this time the medium and even many petty farmers are also holding on to their produce. Only those who have perforce to sell their produce to meet their financial obligations are bringing it to the markets. The Punjab Kheti Bari Zamindara Union (agriculturists' union) has been urging the cultivators not to take their produce to the markets unless they are offered Rs 125 a quintal. The Haryana Kisan Sangharsh Samiti has gone one better by insisting on Rs 135 as the minimum rate.

Indications are that this year there would be more hoarding of wheat than before, by growers and also by traders of various categories, either in scattered godowns or in farmers' houses to avoid seizures. Both the growers and traders, in fact, count on record profits in the next few months. The widespread fear among the consumers in the surplus states of Punjab and Haryana is that later in the season wheat would not be available at less than Rs 180-200 a quintal. There are also reports that smuggling of wheat from Haryana in 1974-75 would be on a larger scale than ever. Wheat prices in Delhi, UP and Rajasthan, all of which have long stretches of common border with Haryana, are much higher. Wheat bags and trucks seized by the Haryana government's anti-smuggling staff, which is being strengthened in anticipation, constitute only a fraction of the total quantity smuggled across the state's borders. Now the Himachal government has also decided to procure wheat from Punjab markets. This would further reduce this region's contribution to the Central pool. In fact, the Punjab government is now worried over the availability of stocks to meet the needs of its own people all through the year!

Dalit Panthers: Another View

(From a Special Correspondent)

THE Dalit Panthers have been generally accepted as a party of the Scheduled Castes of Maharashtra. Further, the hope has been expressed that in course of time they will bring within their fold all 'dalits', or downtrodden, including the poor among the caste Hindus. In their own manifesto, the Dalit Panthers have claimed to be an organisation of all exploited sections of the population, irrespective of caste or community, such as agricultural workers and small peasants, industrial workers, the unemployed and even women.

Yawning Gap

It is, of course, impossible to say how the Dalit Panthers will develop as a political organisation in future. But as things are there is a yawning gap between what the Dalit Panthers claim to be and what they actually are. Right now they are quite simply an organisation of the Mahars, which is one of the Scheduled Castes in Maharashtra.

The Scheduled Caste population of Maharashtra is around 35 lakhs, according to the 1971 Census. This population is composed of 57 subcastes, prominent among whom are Mahars, Mangs, Chambhars and Dhors. Mahars constitute 35 per cent of the total Scheduled Caste population of Maharashtra, followed by Mangs (33 per cent), Chambhars (22 per cent) and Dhors (3 per cent).

If we consider the history of earlier attempts to politically organise the Scheduled Castes in Maharashtra, two things become immediately clear. First, it is no accident that the Dalit Panthers have emerged as an organisation almost exclusively of the Mahars. Second, there is no basis for presuming that as they become stronger and better established as a political party, the Dalit Panthers will automatically come to represent the non-Mahar Scheduled Castes, leave alone the non-Scheduled Caste oppressed. These points need to be emphasised because if the Dalit Panthers want to build a party of all Scheduled Castes — and indeed of all the oppressed — a conscious effort will have to be made to reverse many of the tendencies now dominant in the organisation — both by the leaders of the Dalit Panthers as well as by their friends and sympathisers outside the party.

All attempts in the past to politically organise the Scheduled Castes in Maharashtra have been restricted to the Mahars. B R Ambedkar was a Mahar and, though he achieved all-India status as a leader of the Scheduled Castes, in Maharashtra his influence was restricted to the Mahars. When just before his death he called on the Scheduled Castes to reject the Hindu religion and become Buddhists, in Maharashtra the call was heeded only by the Mahars. As a result, the terms 'Mahars' and 'Buddhists' have become synonymous in the state. After Ambedkar's death, his Mahar-Buddhist followers formed the Republican Party of India (RPI). Though the RPI is nominally an all-India political party it is politically significant only in Maharashtra — and that, once again, as a party only of the Mahars.

Bitter Antagonisms

In retrospect, it does appear that, unwittingly and unfortunately, the impact of Ambedkar's leadership and of his approach to tackling the problems of the Scheduled Castes — culminating in the mass conversions to Buddhism — was to sharpen the differences between the Mahars and the rest of the Scheduled Castes. Thus Mahar-Mang and Mahar-Chambhar antagonisms are facts of life in Maharashtra's towns and villages. These antagonisms have got more bitter as the Mahars, by virtue of their political organisation, have appropriated the lion's share of the concessions and privileges extended by the government to the Scheduled Castes.

The existence of the RPI as the political party of the Mahars has had the effect of making the Congress, too, more solicitous of the interests of the Mahars. This solicitousness has been expressed often in competition with the RPI and as often in collaboration with it or with one or the other faction of it. Starting with G D Tapase in Morarji Desai's Cabinet in the former Bombay state, the Congress party has bestowed ministerships on prominent Mahars like N K Tirpude and D T Rupavate. Again, the seats reserved for the Scheduled Castes in the Lok Sabha from Maharashtra and in the Maharashtra Assembly have have been generally held by Mahars from the Congress party. In addition, the Congress has always accommodated Mahar candidates from the RPI for seats in the Rajya Sabha and in the state Legislative Council. The most recent instance is that of the RPI leader, N H Kumbhare, elected to the Rajya Sabha from Maharashtra with the support of the Congress. An even

more interesting example is that of the late B K Gaikwad, former President of the RPI, who was first elected to the Rajya Sabha with the support of the Leftist parties and then continued for a second term with the help of the Congress. The Congress has similarly supported Mahar candidates from the the RPI and got them elected to the state Legislative Council. For instance, Shantabai Dani and R S Gavai, prominent RPI leaders. owe their terms in the Council entirely to the support of the Congress.

The RPI broke into factions soon after its formation. Dominant among the factions has been the so-called Gaikwad group which aligned itself with the Congress in Maharashtra. Another faction, the Khobragade group, hobnobbed with the Congress at the Centre. Both benefited from their alliances with the Congress. Khobragade became Deputy Speaker of the Lok Sabha while, as mentioned above, many Mahar leaders of the RPI became members of the Rajya Sabha and the Maharashtra Legislative Council with the support of the Congress. Others, who left the RPI and joined the Congress, benefited no less. Prominent among them are R D Bhandare, N M Kamble and D T Rupavate. Bhandare was appointed Governor of Bihar; Rupavate became minister in the Maharashtra government after the 1972 elections; and Kamble has been just elected to the Rajya Sabha. By following a policy of simultaneous opposition to and collaboration with the Congress, the RPI has also secured rich dividends for its members in terms of seats in Zilla Parishads and other elective bodies as well as important posts in government departments and corporations.

Telling Fact

With the political leverage secured in this manner, it is hardly surprising that the Mahars have cornered a disproportionate share of the educational and other facilities extended by the government to the Scheduled Castes. Statistics on this point are not readily available, but one telling fact may be quoted here. According to the 18th Report of the Commissioner for Scheduled Castes and Scheduled Tribes for 1968-69, out of the total scholarship funds available for the Scheduled Castes in Maharashtra, Mahars appropriated 84 per cent in 1966-67 and 83 per cent in 1967-68. With greater political pull and better educational opportunities, the Mahars have inevitably outdistanced the rest of the Scheduled Castes in terms of the other indicators of economic betterment, such as the level and quality of employment, the degree of urbanisation, etc.

In sharp contrast to the competitive solicitousness for the interests of the Mahars on the part of the RPI and the Congress, there has been no comparable concern for the other sub-castes among the Scheduled Castes even though they comprise almost two-thirds of Maharashtra's total Scheduled Caste population. While the RPI has been, as mentioned earlier, quite openly a party of the Mahars, none of the other opposition parties have attempted to organise the rest of the Scheduled Castes. The result has been that the Mangs, the Chambhars and the other sub-castes among the Scheduled Castes have remained supporters of the Congress for want of any alternative. And for the same reason, the Congress has been able to count on their loyal support without having to offer them any rewards comparable to those extended to the Mahars. Not only have these castes not been organised for achieving a general social and economic transformation of their condition, but they have not had the levers for extracting even limited concessions from the government. The emergence of the Dalit Panthers has not made the slightest difference to this situation.

Writers and Poets

The Dalit Panther organisation sprouted from a group of young Mahar writers and poets — prominent among them being Namdeo Dhasal, Raja Dhale and J V Pawar — as a protest against the faction-ridden, self-seeking, corrupt and ageing leadership of the RPI. The Dalit Panthers made their appearance in cities like Bombay and Poona where there are large concentrations of Mahars. Partly because of the influence of the Left groups with which they came in contact in these cities and partly reflecting their own disgust with the opportunist politics of the RPI factions, the formal political programme of the Dalit Panthers as well as the language in which it has been expressed at public meetings, etc, have been distinguished for their radicalism. This together with their violent attacks on Hindu deities and popular heroes like Shivaji, their successful campaign for boycott of the by-election to the Lok Sabha from the Central Bombay constituency in January, and the persistent attempts by the state government and the police to repress them, have served to create the impression that the Dalit Panthers are a political force committed to the overthrow of the present social and political system. In the process, not enough attention has been paid to the organisational structure of the Dalit Panthers, the extent of the support they actually enjoy and the composition of that support.

The need for the Dalit Panthers, in terms of their own ends, to break out of the bonds of the Mahar community is too obvious to need elaboration. The broad political objective to which they are committed by their own manifesto — to fight against all forms of discrimination and oppression — cannot be achieved so long as they remain a party of the Scheduled Castes, not to talk of a party of only the Mahars. This apart, even for short-term survival, they need to extend their support base beyond the Mahars.

Large Following

Among the Mahars, the established RPI still has a very large following. Faced with the emergence of the Dalit Panthers, the different factions of the RPI are trying seriously to come together. Meanwhile, their mutual differences notwithstanding, all these factions have launched a violent campaign against the Dalit Panthers. In their public meetings, prominent RPI leaders like Shantabai Dani and R S Gavai call upon their followers to "crush the Dalit Panthers wherever they are". In this campaign, the RPI clearly has the complete support of the Maharashtra Congress and the state government.

Faced with this onslaught against it, the Dalit Panthers have only their limited following among the urban Mahar youth to fall back upon, apart from peripheral liberal and Leftist support. And they have yet to win the sympathy of the rest of the Scheduled Castes. When asked about their response to the Dalit Panthers, R A Khaire, Baburao Bharaskar and Namdeo Vatkar — Congress MLAs and leaders of the Chambar, Mang and Dhor communities, respectively — told this writer: why should we worry about the Dalit Panthers? They are a headache for the RPI leaders. In what way are we concerned with this internal fight within the Mahars?

If the Dalit Panthers are to survive as a party, they will have to beware of becoming in effect a fourth faction of the RPI, enmeshed in the caste politics of the Mahar community.

URUGUAY

Rule by Military Proxy

Lajpat Rai

THE September 1973 fascist military *coup d'etat* in Chile seems to have overshadowed two other coups which took place in the same year in Uruguay and Bolivia. While the National Stadium in Santiago where thousands of political prisoners are being held and tortured has become known all over the world, El Clindro Stadium in Montevideo where Uruguayan patriots and leftists are being tortured has remained relatively unknown. El Clindro acquired this sinister reputation after the coup d'etat of June 27, 1973, when Juan Maria Bordaberry established a dictatorial regime supported by the Uruguayan oligarchy, US corporate interests and the reactionary military. On this day President Bordaberry in order to save his faltering regime riven by dissensions, plagued by a 60 per cent per annum inflation, harassed by the Tupamaros and threatened by a countrywide general strike of industrial workers, dissolved the Congress and called in the military to take over the reins. The focal point of the struggle between the military and the Congress was the former's demand that the Congress lift the immunity of the leftist Senator, Enrique Erro, whom it accused of subversion and alleged links with the Tupamaros — a Fidelista urban guerilla organisation operating in the country since 1965.

The decree signed by Bordaberry dissolving the Congress gave the Senate's refusal to lift Erro's immunity as a reason. In his radio-TV speech on June 28, the President justified army intervention, condemned Marxism as "a manifestation of sedition", challenged the Tupamaros "traitors" and the student agitators "who took the law in their own hands". He also spoke of the "sinister shadow of international communism" and called upon the people to "resist anarchy and criminal conspiracy against the country". On the same day, Bordaberry moved to consolidate his control by introducing total press censorship, prohibition of public gatherings and manifestations, suspension of constitutional guarantees and a declaration of a state of seige in the country. On June 30, through a special decree, he banned the Communist Party and the Communist-led United Trade Union Convention or CNT (Convencion Nacional de Trabajadores). Later in the same day he dissolved all the 19 elected municipal councils and issued a threat to have all the parties of the Frente Amplio or the Broad Front (consisting of communist, socialist, Christian Democrat and some centrist bourgeoisie parties and groups) which had unsuccessfully opposed Bordaberry in the presidential election.

The first reaction to the decrees abolishing constitutional government and civil rights was swift. The two cabinet members resigned in protest. The powerful CNT called a general strike for the following day and ordered the occupation of the factories. The strike according to the Reuters despatch from Montevideo dated June 29 "paralysed the nation's major industries, such as the tyre and textile factories that provide Uruguay's main industrial exports. Several factories were taken over by strikers, and students at Montevideo University boycotted classes.

Breaking the Strike

On the same day Bordaberry ordered the army and the police to break the strike by force. This led to large-scale arrests, baton charges and shootings in the streets of the capital; the first batches of prisoners began to arrive at El Clindro. An undetermined number of political leaders fled to Argentina while many took refuge in some Latin American embassies, now being guarded day and night by government troops to intercept fleeing refugees. By mid-July El Clindro began to get crowded. Among those arrested by the military regime were General Liber Seregni, the former Presidential candidate of the Frente Amplio, Homar Murdoch, the President of the National Party (a conservative party till then a fierce opponent of the Frente), the well known writer Juan Carlos Onetti and the communist leaders Rodney Arismondy and Jaime Pereze, on charges of having contacts with the Tupamaros. Other arrested leaders of the opposition included Jose P Cardozo, the President of the Socialist party, General Victor Licandro and sixteen members of the dissolved Congress, all belonging to the Frente Amplio.

These arrests led to an agreement between the Frente and the National Party which until then had been bitter enemies. The two parties were later joined by an important group of dissidents from Bordaberry's own Colorado party. This broader front of political opposition issued on July 30, what was called its "six bases for resolving the present situation". They were according to *La Razon*:

1. Re-establishment of constitutional freedoms and guarantees.
2. Re-establishment of the right of political parties and union organisation.
3. Restoration of the purchasing power of wages.
4. *Agreement on* a minimum programme for economic and social change.
5. Dismissal of Bordaberry and setting up of a provisional government which could include the Colorados and Blancos (the two traditional conservative parties of Uruguay which had been ruling the country alternately through an agreement) as well.
6. The immediate holding of a popular referendum in the country.

Thus while the Frente Amplio became "Frente mas Amplio" and the opposition to the dictatorship increased in intensity, the CNT led by the Communists (who despite an official ban on their party functioned from underground unmolested) suddenly withdrew the general strike which had by the end of July embraced wide sectors of the industrial working class and the militant sectors of the peasantry. The ending of the strike, which had become the focal point of opposition to the coup, was a victory for Bordaberry. While the unions had been demanding the release of all political prisoners and the restoration of democratic liberties, the government insisted that it had agreed to no conditions during its secret talks with the leaders of the banned trade union federation. Minister of Interior, Colonel N Bolentini declared at a press conference that the banning of the CNT was "irrevocable". According to a despatch from the *New York Times* répresentative in Montevideo (August 7, 1973), "Colonel Bolentini announced a new labour policy meant to make the trade unions non-political. This implied the liquidation of the CNT and the formation of a new labour organisation, independent and outside the control of political parties which will not be permitted to intervene in political questions that distort the true sense of trade union associa-

tion". According to a UPI despatch published in the *New York Times* (August 8), "In spite of the illegal status of the CNT, the government representatives continued (during the strike) to hold talks with its leaders who had secretly agreed to withdraw the strike in exchange for the release of the imprisoned union leaders and activists". According to *La Opinion* (August 9), "the CNT called off the strike and acknowledged that it had not achieved the desired victory. The battle must continue but it is necessary to change the form of struggle". This sudden withdrawal of the strike led to widespread disillusionment, frustration and rage among the workers and students who had been braving the fascist repression of the dictatorship which got intensified after the calling off of the strike.

With the end of the general strike, Bordaberry quickly moved to consolidate his control. He met with the country's mayors to work out details for the so-called "neighbourhood councils" to replace the nineteen elected municipal councils that he had abolished along with the Congress. This was what he described as the "beginning of the restoration of democracy in Uruguay after the military takeover". He also named members of the Council of State, which was to replace the Congress. He proclaimed his intention to usher into Uruguay "a non-political, non-party democracy" which would be "protected by the military in the initial stages". Thus the disorienting reformist strategy of the Communist Party — the leading member of the Frente Amplio — failed even to achieve the limited aim of getting the release of opposition leaders and the removal of Bordaberry from office. The military even went back on its promise to withdraw the case against General Seregni who is now being tried for sedition.

Communist Appeal to Army

There was another noteworthy feature in the situation. Throughout the general strike the approach taken by the opposition led by the Communist Party was one of appealing to allegedly 'dissident' sectors of the armed forces to join the opposition and help overthrow the Bordaberry regime. This strategy was reflected in the special appeal addressed to the "patriotic majority" of the armed forces by the CNT and the Frente Amplio stating that the general strike, which was later brutally crushed by the troops, was not directed against the armed forces. The appeal said: "We respect the army and its patriotic traditions. We shall not turn out as the enemy of the armed forces which have always respected the constitutional laws violated by the dictatorship". Rodney Arismondy who now sits in El Clindro prison guarded by the military spoke about the army as the defender of the "letter and spirit of the Constitution throughout our history with only a few lapses". According to *La Opinion* (September 1) the communist leaders always distinguished between the "reactionary and the progressive wings of the military establishment" and tried "unsuccessfully to pit one section of the officer class against the other". All this, however, did not stop the army's crackdown on the leaders and the militants of the CNT and *Frente Amplio*, nor did it stay the hands of the army and the police from shooting down the demonstrators in the streets of Montevideo and other Uruguayan towns. The "progressive sections" of the army did not emerge, nor did the "patriotic sectors" of the armed forces assert themselves on behalf of the people. Soon it became obvious that Uruguay was following the Brazilian pattern, though some CNT leaders in the initial stage referred to the "Peruvian model taking shape in Uruguay". The military had the firm support of the United States and of the Brazilian generals who welcomed the coup for obvious reasons. The Vice-President of the ruling party in Brazil, the Alliance for National Renewal, Cantidio Sampaio, said in Parliament: "Uruguay is moving into the Brazilian schema. As long as the army did not go out in the streets to fight terrorism, as long as certain liberties upon which Tupamaros thrived were not suppressed, and as long as the Uruguayan press itself was not restricted by the government and the 'habeas corpus' remained untouchable subversion dominated the country ... with the military in command now order has been restored once again ..."

Philippe Labreveux of *Le Monde* (October 31), commenting on the developments in Uruguay wrote, "The Montevideo government did not work as fast as that of Santiago but in the end it reached the same result making *tabula rosa* of all the country's institutions". On October 31, the Bordaberry dictatorship closed and occupied the University of Montevideo. The Rector, nine of the ten Deans and about five hundred student activists were arrested and detained in El Clindro.

Reports of beatings, tortures and 'disappearance' of opposition leaders and militants continue to circulate in the Latin American press. The US Embassy in Montevideo hums with activity and economic and military aid has started coming in. The CIA is active and is co-operating with the local intelligence agencies in tracking down the opposition leaders. The much-lauded welfare state, the "democratic bastion" of Latin America is under unmitigated dictatorial rule headed by a civilian President.

Experience Teaches Nothing

One, however, keeps wondering at the utter stupidity of the traditional communists of Latin America who seem to have lost even the faculty of learning from bitter and costly experience. Learning nothing from their experience with the Uruguayan military, they sowed illusions about the "institutionalism" and the "democratic responses" of the Chilean armed forces. Even the Chilean tragedy could teach them nothing. Their "broad fronts" under the "progressive" national bourgeoisie, their theories of peaceful transition to socialism *via* the parliamentary road and their myth of the so-called "patriotic majorities" in the traditional armies of the bourgeoisie states have disoriented the national liberation movements in Latin America and elsewhere in the third world.

Recently speaking at a public reception to Hortensia Allende, the widow of Salvador Allende of Chile in New Delhi, N K Krishnan, the CPI leader, said in all seriousness, "what we are doing in India today is the same that Allende tried to do in Chile, that is, building socialism by peaceful means, and the same fascist forces that murdered democracy and the President in Chile are out to stop us from proceeding on our predetermined course".

Krishnan was thus equating the socialist government of Chile with the one that rules in Delhi and also President Allende with Indira Gandhi. Fidel Castro once called the traditional communists "political charlatans". But even charlatan behaviour should have some limits. This communist worthy did not realise that he was insulting the memory of President Allende and causing embarrassment to Indira Gandhi who has always taken pride in calling herself a pragmatist.

Bordaberry came to power on a populist programme after defeating the candidate of the Frente Amplio. The reforms he promised to the people included a programme of "Garibi Hatao" or "Lucha Contra la Pobreza" (struggle against poverty). He also promised to halt inflation, increase wages, strengthen the social security system for the workers, and the inevitable land reform. But in less than two years he had to call in the army to maintain his faltering regime in power — a regime which could not solve or even make a beginning towards solving a single problem of the people.

The manner in which the situation is shaping in this country (if odious comparisons can be made), Indira Gandhi is more likely to act as a Bordaberry of Uruguay than as an Allende of Chile. But the traditional communists, clinging to their outmoded theories like a drowning man to a twig, cannot learn even from the disastrous experiences with their figment of imagination — the "progressive" national bourgeoisie. Fidel Castro could not be more correct when he declared some time ago in reference to the traditional communists: "If anyone should ask me who the most important allies of imperialism are, I would not answer that they are the professional armies, nor even the Yankee marines. I would not say that they are oligarchies or the reactionary classes. I would say they are the pseudo-revolutionaries".

REVIEWS

Economics of Land Reform

Ahmad Raza

Economics of Land Reforms and Farm Size in India by A M Khusro; Macmillan India, 1973; pp xxvii + 159; Rs 26.50.

ECONOMIC theory provides the basic framework within which economic policies are formulated. Any discussion or analysis of policy, to be meaningful, has, therefore, to be within that framework. This is a point which is readily conceded but, unfortunately, such analysis is rarely attempted. A case in point is that of policy relating to land reforms in India. Volumes have been written on the subject; popular commentaries are plentiful. But, in most cases, the analysis is segmentary and the theoretical framework is missing. It is in this context that A M Khusro's "Economics of Land Reforms and Farm Size in India" differs from most other works on the subject. It is perhaps the first attempt "to cast the major issues of land tenure and land reforms in the framework of micro-economic analysis in order that more vigorous policy conclusions are obtained than are possible in the absence of such an analysis".

Khusro's main concern is to probe the complex nature of the twin problems of 'disincentives of tenure' and 'disabilities of size' which have frustrated the farmer's will as well as his resource-capacity to expand either to a minimum economically feasible size of to an optimum size.

Part I of the book concerns itself with the problem of tenurial disincentives. It describes the nature of the problem and undertakes an economic analysis of India's land reform experiment and seeks to evaluate its results. The starting point of his analysis is the serious and growing imbalance between the demand for and the supply of land in the tenancy market resulting in exploitation and proletarianisation of the peasantry. Under such a situation "the desire of land policy to control land rent then emerges as an exercise in the theory of price control and attempts to impose ceilings on land holdings ... can be observed as attempts to invoke the theory of rationing". It is thus that price control (through rent laws) and rationing of the use and ownership of land (through tenancy and ceiling laws) became the two major planks of land reform policy in India. It is also argued that tenancy "must not be regarded in all circumstances as an exploitative arrangement". In fact, "tenancy shorn of its exploitative nature must be supported".

If the facts were as simple as described by Khusro, one wonders why the results were so discouraging. As is well known, though the zamindari system was abolished, the intermediary interests still remain. Attempts to ration the use and ownership of land ended in a fiasco. The continuation and possible upsurge of share-cropping tenancy has made a farce of laws relating to security of tenure and fixation of fair rent. And if the number of evictions ('voluntary' surrender or legal eviction) is any criterion, the process of proletarianisation and impoverisation of the weaker section has, at best, been slowed down. One is tempted to attribute all this, as Khusro has done, to the strong landed interests in the legislature becoming the stumbling blocks, to administration not getting the full backing of the law-making bodies and to lack of concern for the prerequisites of good rationing. There is, however, another — and a more basic — reason. Price control and rationing may work only if the imbalance between demand and supply is marginal and/or temporary. But if land is in permanent short supply and there is fierce competition to grab any piece of cultivated land at almost any price, attempts to control the price or rationing are bound to fail, at least in a 'free', democratic set up. If introduced, these will only lead to the emergence of numerous informal tenancy arrangements with the acquiescence, albeit unwilling, of the tenants themselves. When tenants themselves are partners in the evasion of various provisions of tenancy laws, how can one hope to rid tenancy of its exploitative nature? It is this basic fact which explains why the various land reform measures adopted in India have failed in their objectives.

It appears that in his anxiety to provide a theoretical economic framework, Khusro has over-simplified the problem. Perhaps the only justification for land reform measures in India — and this has been conceded by him — is that "under conditions of severe shortage, some control is better than no control". As such, one should not expect revolutionary size-tenure changes.

In Parts II and III, attention shifts, though not entirely, from tenurial disincentives to size disabilities of farms — consideration of the minimum economically feasible size of holding in Part II and discussion of the optimum size of holding in Part III. Herein lies Khusro's main contribution, for it is rarely that an attempt is made to empirically determine these sizes and thus narrow the controversy and free the discussion of political under-currents and ideological overtones.

As regards the minimum feasible holding, it is rightly argued that the question relates to both welfare and efficiency. "From the welfare point of view, it would mean a farm which gives a minimum norm of output (or income) and employment to support the farm family. From the efficiency angle, it

could mean an *enterprise* which makes the most of the indivisible inputs such as a pair of bullocks and, by absorbing their services fully, keeps the short-run average cost lower than it would be with less than full utilisation of the individual resources". Khusro's conclusion, after a good deal of sifting of farm management data, is that, with the present technology which is still dominated by the use of bullock power and with a view to focusing on tomorrow's norms, the dividing line between incentives and disincentives and between efficiency and disability may be taken to be 5 acres. As such, a very large proportion of cultivated area is free from difficulties of size though a large proportion of holdings is subject to such difficulties. The conclusion, in itself is not very startling; it has been known. The significance of Khusro's work lies in quantifying what has been largely an unquantified area.

The discussion on optimum size of holdings is particularly relevant in the context of the need to ration the ownership of land, for ceiling ought to avoid the size range of declining long-run average costs. The relevant questions to ask in this connection are: at what size of farm do diminishing returns to scale begin to operate? Is there a range of sizes within which returns per unit of input are maximum or costs per unit of returns are minimum? What happens to farm efficiency as farm size increases? In this final part of his work, Khusro attempts to answer these vital questions. Having analysed the farm management data from different regions of India, he concludes that, above the minimum feasible holding, "there is nothing to choose between the large farms and small farms in respect of cost efficiency and productivity; that Indian agriculture is typically a scene of constant returns to scale; and that ceilings are size-neutral". These findings are revealing and have far-reaching policy implications.

While agreeing with his general approach and methodology, one is tempted to make a few observations. First, on the question of plough units: just because a great majority of the holdings operating with two bullocks or less are below a particular size and a great majority of all holdings below that size are operating two bullocks or less, one may not be fully justified in assuming that farms below that size are too small to absorb effectively the services of a pair of bullocks. One may also ask: are a pair of bullocks as indivisible a factor of production as it is generally made out to be? Second, as regards work unit: family labour which is hired out and which is used on the family farm is not necessarily co-terminus nor independent of the economic and/or social status of the households and social conventions. As such, there may not be a *size* of holding which would, under given techniques and soil-crop conditions, enable family labour to be more or less fully employed. Third, the farm management data used, at best, reflect the farming conditions of specified districts. Even otherwise, the sampling scheme of the surveys was not designed to permit aggregation of data or to arrive at even very approximate all-India averages. In any case, given varied farming conditions in different parts of the country, there cannot be one minimum economically feasible size for the entire country or even one state; it will have to be different for different soil-water-climatic complexes. Hence, the reader need not be accused of being "sceptical" if he refuses to accept the conclusions as valid for the country as a whole or, for that matter, the states in question (or even very substantial parts thereof). And, last, the data, after all, represent the farming conditions of the mid-1950s. Some recent unpublished research findings based on data for the 1960s notwithstanding, it is difficult to accept the view that there have been "no major changes in relative efficiency and productivity of farms so as to warrant different policy conclusions". But even if it were so, it would have been much more satisfying if Khusro himself had used data for the 1960s — preferably late 1960s — to arrive at policy conclusions.

Co-operatives in Japan

K K Taimni

Amalgamation of Primary Co-operatives: The Japanese Experience by Lionel Gunawardana; International Co-operative Alliance, Regional Office and Education Centre for South-East Asia, New Delhi, 1973; pp 117; Rs 15.

THERE have been two major watersheds in the development of the co-operative movement in Japan. Both were the outcome of government action and both had a decisive influence in shaping the movement to its present strength. First, during the Second War, the government imposed rigid control over production and distribution of agricultural produce. For this purpose, various organisations of farmers at the village level, such as industrial associations (which were agents of the government for collecting rice and other agricultural produce), livestocks raising associations, etc, were compulsorily amalgamated with the co-operatives to form agricultural associations. It was also made compulsory for all farmers to join these associations which were established in every village and town. These associations were to render all assistance to farmers to boost agricultural productions during the war. In 1947, the government once again made the co-operatives autonomous as before, but the new co-operatives inherited all the assets and liabilities of the agricultural associations. This gave a big boost to the co-operative movement.

Second, as Japanese industry took giant strides, there was a mass migration of agricultural labour to the towns. More and more land was acquired by industry and for housing, etc. This resulted not only in a shortage of farm labour giving rise to the demand for mechanisation in agriculture but also in the reorganisation of the countryside. The reorganisation took the form of larger areas of land, covering three to four existing villages, becoming the new basic administrative units, or the new villages, for provision of extension services by various government agencies. When the small village-level, multi-purpose co-operatives were found unequal to the new tasks, especially meeting the demands of modern intensive agriculture, the Japanese government enacted the Amalgamation Aid Law in 1961 to encourage and expedite the amalgamation of agricultural co-operatives and assist the societies so amalgamated to establish a solid foundation and to ensure effective business management. The Central Union of Agricultural Co-operatives (CUAC) was largely instrumental in prevailing upon the government to enact this law and also in issuing detailed policy directives for the amalgamation of the primary level multi-purpose co-operatives.

Gunawardana lists some of the problems in the process of amalgamation like unwilling directors, unwilling employees, lost of member-management contacts, resistance from the strong societies to amalgamating with weaker societies, etc. These were all predictable problems and are not proving insurmountable given the combined strength of the state machinery and the CUAC. At times, members of the co-operatives have been directly approached by representatives of the state and the federal units, promised some illusory benefits (higher prices, reduced rates of interest, etc) as a result of amalgamation and in this manner the pace of amalgamation has been forced.

Gunawardana points out several advantages of amalgamation to members and employees of co-operatives. However, independent studies conducted in Japan show that besides higher wages to employees (whose number is considerably reduced), there has been hardly any other significant advantage to the members, especially to those of old, large and strong co-operatives. Amalgamation has, as the author rightly points out, increased the viability of the new structure and to that extent it is bound to prove useful to the farmer ultimately.

The author sums up the problems faced by co-operatives after amalgamation as poor member and employer-employee relations, greater demands on management skills, difficulties in book-keeping and auditing, demands from members for maintenance of uneconomic facilities, etc. These are all transitory and will gradually disappear as the model matures to its full strength.

The obvious inferences which can be drawn (and which Gunawardana has not touched upon) from the Japanese experience of amalgamation of multi-purpose primary co-operatives are (i) a strong political commitment at the national level is necessary for initiating the process of amalgamation; (ii) the process of amalgamation becomes smooth in an environment of affluence and rising per capita income; and (iii) the process of amalgamation can make headway only if the state machinery is co-operative.

Gunawardana's primary aim in presenting his study in the form of a book is presumably to sell the idea of amalgamation of primary co-operatives to other countries in Asia. But in how many of these countries do the above conditions really obtain?

SPECIAL ARTICLES

Hidden History of the Sino-Indian Frontier

I—1947-1954

Karunakar Gupta

The negative role of the Historical Division of the External Affairs Ministry in keeping the Government of India and the public completely misinformed about the true history of the India-China border has been a major cause of the continued stalemate over the Sino-Indian frontiers. Ramsay Muir's dictum, 'bureaucracy is like fire; invaluable as a servant, ruinous when it becomes the master', is applicable to the officials of the Historical Division of the External Affairs Ministry, as they were able to hamstring Nehru's original diplomacy which sought to work for a modus vivendi *with China, solving the boundary problems on a compromise basis.*

The official decision to keep the records of the External Affairs Ministry dealing with the Sino-Indian frontier from 1914 to June 1954 out-of bounds for independent scholars has helped the Ministry to maintain till today a curtain of ignorance over the true border legacy of the British Raj. The history of the Sino-Indian frontier still remains hidden to most of us.

[The first part of this article, published this week, covers the period 1947 to 1954; the second, and concluding, part will deal with the years 1954 to 1959.]

"In international diplomacy, the habit of saying one thing and thinking another is as old as time."
— Lord Birdwood in "A Continent Decides"

THERE has been complete ignorance among large sections of the Indian public regarding the truth of the British legacy about the Northern frontier. The Survey of India maps published in free India during 1947-1952 depicted the North-eastern border of India eastward from Bhutan along the Himalayan high-crest-line as 'undemarcated', while the western sector and the middle sector of the Northern border beginning from the north-western end of Kashmir to the tri-junction of Nepal-Tibet-India were shown by a colour-wash with the word 'Boundary Undefined' imprinted thrice along the stretch. In the authoritative publication of the Foreign and Political Department of the British Government of India generally known as "Aitchison's Treaties" relating to Kashmir it was written explicitly, "The northern as well as the eastern boundary of the Kashmir State is still undefined". (Vol XII, Part I, pp 5, 1931).

The Indian public never bothered about the undefined frontier along the Kashmir sector, because the Government of India had been declaring from time to time since October 1947 that the future of Kashmir would be finally decided through a UN-supervised plebiscite after the withdrawal of the invaders coming from the Pakistan territory. The Indian attitude towards the future of Kashmir gradually hardened since the signing of the Pak-American military aid agreement in February 1954. But even then we find that in a resolution adopted on as late as December 2, 1957, the UN Security Council took cognition of the fact that the Governments of both India and Pakistan did "recognise and accept the provisions of its resolutions dated 17th

could mean an enterprise which makes the most of the indivisible inputs such as a pair of bullocks and, by absorbing their services fully, keeps the *short-run* average cost lower than it would be with less than full utilisation of the individual resources". Khusro's conclusion, after a good deal of sifting of farm management data, is that, with the present technology which is still dominated by the use of bullock power and with a view to focusing on tomorrow's norms, the dividing line between incentives and disincentives and between efficiency and disability may be taken to be 5 acres. As such, a very large proportion of cultivated area is free from difficulties of size though a large proportion of holdings is subject to such difficulties. The conclusion, in itself, is not very startling; it has been known. The significance of Khusro's work lies in quantifying what has been largely an unquantified area.

The discussion on optimum size of holdings is particularly relevant in the context of the need to ration the ownership of land, for ceiling ought to avoid the size range of declining long-run average costs. The relevant questions to ask in this connection are: at what size of farm do diminishing returns to scale begin to operate? Is there a range of sizes within which returns per unit of input are maximum or costs per unit of returns are minimum? What happens to farm efficiency as farm size increases? In this final part of his work, Khusro attempts to answer these vital questions. Having analysed the farm management data from different regions of India, he concludes that, above the minimum feasible holding, "there is nothing to choose between the large farms and small farms in respect of cost efficiency and productivity; that Indian agriculture is typically a scene of constant returns to scale; and that ceilings are size-neutral". These findings are revealing and have far-reaching policy implications.

While agreeing with his general approach and methodology, one is tempted to make a few observations. First, on the question of plough units: just because a great majority of the holdings operating with two bullocks or less are below a particular size and a great majority of all holdings below that size are operating two bullocks or less, one may not be fully justified in assuming that farms below that size are too small to absorb effectively the services of a pair of bullocks. One may also ask: are a pair of bullocks as indivisible a factor of production as it is generally made out to be? Second, as regards work unit; family labour which is hired out and which is used on the family farm is not necessarily co-terminus nor independent of the economic and/or social status of the households and social conventions. As such, there may not be a *size* of holding which would, under given techniques and soil-crop conditions, enable family labour to be more or less fully employed. Third, the farm management data used, at best, reflect the farming conditions of specified districts. Even otherwise, the sampling scheme of the surveys was not designed to permit aggregation of data or to arrive at even very approximate all-India averages. In any case, given varied farming conditions in different parts of the country, there cannot be one minimum economically feasible size for the entire country or even one state; it will have to be different for different soil-water-climatic complexes. Hence, the reader need not be accused of being "sceptical" if he refuses to accept the conclusions as valid for the country as a whole or, for that matter, the states in question (or even very substantial parts thereof). And, last, the data, after all, represent the farming conditions of the mid-1950s. Some recent unpublished research findings based on data for the 1960s notwithstanding, it is difficult to accept the view that there have been "no major changes in relative efficiency and productivity of farms so as to warrant different policy conclusions". But even if it were so, it would have been much more satisfying if Khusro himself had used data for the 1960s — preferably late 1960s — to arrive at policy conclusions.

Co-operatives in Japan

K K Taimni

Amalgamation of Primary Co-operatives: The Japanese Experience by Lionel Gunawardana; International Co-operative Alliance, Regional Office and Education Centre for South-East Asia, New Delhi, 1973; pp 117; Rs 15.

THERE have been two major watersheds in the development of the co-operative movement in Japan. Both were the outcome of government action and both had a decisive influence in shaping the movement to its present strength. First, during the Second War, the government imposed rigid control over production and distribution of agricultural produce. For this purpose, various organisations of farmers at the village level, such as industrial associations (which were agents of the government for collecting rice and other agricultural produce), livestocks raising associations, etc, were compulsorily amalgamated with the co-operatives to form agricultural associations. It was also made compulsory for all farmers to join these associations which were established in every village and town. These associations were to render all assistance to farmers to boost agricultural productions during the war. In 1947, the government once again made the co-operatives autonomous as before, but the new co-operatives inherited all the assets and liabilities of the agricultural associations. This gave a big boost to the co-operative movement.

Second, as Japanese industry took giant strides, there was a mass migration of agricultural labour to the towns. More and more land was acquired by industry and for housing, etc. This resulted not only in a shortage of farm labour giving rise to the demand for mechanisation in agriculture but also in the reorganisation of the countryside. The reorganisation took the form of larger areas of land, covering three to four existing villages, becoming the new basic administrative units, or the new villages, for provision of extension services by various government agencies. When the small village-level, multi-purpose co-operatives were found unequal to the new tasks, especially meeting the demands of modern intensive agriculture, the Japanese government enacted the Amalgamation Aid Law in 1961 to encourage and expedite the amalgamation of agricultural co-operatives and assist the societies so amalgamated to establish a solid foundation and to ensure effective business management. The Central Union of Agricultural Co-operatives (CUAC) was largely instrumental in prevailing upon the government to enact this law and also in issuing detailed policy directives for the amalgamation of the primary level multi-purpose co-operatives.

Gunawardana lists some of the problems in the process of amalgamation like unwilling directors, unwilling employees, lost of member-management contacts, resistance from the strong societies to amalgamating with weaker societies, etc. These were all predictable problems and are not proving insurmountable given the combined strength of the state machinery and the CUAC. At times, members of the co-operatives have been directly approached by representatives of the state and the federal units, promised some illusory benefits (higher prices, reduced rates of interest, etc) as a result of amalgamation and in this manner the pace of amalgamation has been forced.

Gunawardana points out several advantages of amalgamation to members and employees of co-operatives. However, independent studies conducted in Japan show that besides higher wages to employees (whose number is considerably reduced), there has been hardly any other significant advantage to the members, especially to those of old, large and strong co-operatives. Amalgamation has, as the author rightly points out, increased the viability of the new structure and to that extent it is bound to prove useful to the farmer ultimately.

The author sums up the problems faced by co-operatives after amalgamation as poor member and employer-employee relations, greater demands on management skills, difficulties in book-keeping and auditing, demands from members for maintenance of uneconomic facilities, etc. These are all transitory and will gradually disappear as the model matures to its full strength.

The obvious inferences which can be drawn (and which Gunawardana has not touched upon) from the Japanese experience of amalgamation of multi-purpose primary co-operatives are (i) a strong political commitment at the national level is necessary for initiating the process of amalgamation; (ii) the process of amalgamation becomes smooth in an environment of affluence and rising per capita income; and (iii) the process of amalgamation can make headway only if the state machinery is co-operative.

Gunawardana's primary aim in presenting his study in the form of a book is presumably to sell the idea of amalgamation of primary co-operatives to other countries in Asia. But in how many of these countries do the above conditions really obtain?

SPECIAL ARTICLES

Hidden History of the Sino-Indian Frontier

I—1947-1954

Karunakar Gupta

The negative role of the Historical Division of the External Affairs Ministry in keeping the Government of India and the public completely misinformed about the true history of the India-China border has been a major cause of the continued stalemate over the Sino-Indian frontiers. Ramsay Muir's dictum, 'bureaucracy is like fire; invaluable as a servant, ruinous when it becomes the master', is applicable to the officials of the Historical Division of the External Affairs Ministry, as they were able to hamstring Nehru's original diplomacy which sought to work for a modus vivendi *with China, solving the boundary problems on a compromise basis.*

The official decision to keep the records of the External Affairs Ministry dealing with the Sino-Indian frontier from 1914 to June 1954 out of bounds for independent scholars has helped the Ministry to maintain till today a curtain of ignorance over the true border legacy of the British Raj. The history of the Sino-Indian frontier still remains hidden to most of us.

[The first part of this article, published this week, covers the period 1947 to 1954; the second, and concluding, part will deal with the years 1954 to 1959.]

"In international diplomacy, the habit of saying one thing and thinking another is as old as time."
— Lord Birdwood in "A Continent Decides"

THERE has been complete ignorance among large sections of the Indian public regarding the truth of the British legacy about the Northern frontier. The Survey of India maps published in free India during 1947-1952 depicted the North-eastern border of India eastward from Bhutan along the Himalayan high-crest-line as 'undemarcated', while the western sector and the middle sector of the Northern border beginning from the north-western end of Kashmir to the tri-junction of Nepal-Tibet-India were shown by a colour-wash with the word 'Boundary Undefined' imprinted thrice along the stretch. In the authoritative publication of the Foreign and Political Department of the British Government of India generally known as "Aitchison's Treaties" relating to Kashmir it was written explicitly, "The northern as well as the eastern boundary of the Kashmir State is still undefined". (Vol XII, Part I, pp 5, 1931).

The Indian public never bothered about the undefined frontier along the Kashmir sector, because the Government of India had been declaring from time to time since October 1947 that the future of Kashmir would be finally decided through a UN-supervised plebiscite after the withdrawal of the invaders coming from the Pakistan territory. The Indian attitude towards the future of Kashmir gradually hardened since the signing of the Pak-American military aid agreement in February 1954. But even then we find that in a resolution adopted on as late as December 2, 1957, the UN Security Council took cognition of the fact that the Governments of both India and Pakistan did "recognise and accept the provisions of its resolutions dated 17th

January, 1948 and resolutions of the UN Commission for India and Pakistan dated August 13, 1948 and January 5, 1949 which envisage in accordance with their terms the determination of the future status of the State of Kashmir in accordance with the will of the people through the democratic method of a free and impartial plebiscite". This would at least partially explain why Nehru did not raise any point of dispute about the Kashmir frontier specifically either when he visited Peking in October 1954, or later in the winter of 1956-1957 when Chou En-lai paid visits to India. A close scrutiny of the Chinese maps* would show that since the thirties these showed the Karakorams as the border in the north of Kashmir, and this was not challenged by the Government of India till 1958 in an acute form. During 1946-1949, the period of the Republic of China headed by Chiang Kai-shek, the issue of the Northern border was not publicly raised by any side. But during the Asian Relations Conference in New Delhi in April 1947, the Chinese delegates strongly protested about the display of a Map of Asia showing Tibet outside the boundaries of China, and consequently the map was withdrawn. There were, however, several official Notes exchanged bearing on the border issue during this period. On October 16, 1947 the Government of Tibet sent a cable to the Government of India asking for the return of what were described as Tibetan territories from Assam to Ladakh, including such areas as Sikkim, Darjeeling and Bhutan. The Government of the Republic of China addressed four protest Notes to the British Embassy in China on the gradual encroachment by the British into Chinese-claimed territory south of the 'so-called McMahon Line' (July, September and November of 1946 and January 1947). The KMT Government protested on the same issue by note with the Indian Embassy in China in February 1947. On November 18, 1949, the Chinese Ambassador to India of the Nationalist Government delivered a Note to the Indian Ministry of External Affairs repudiating the Simla Convention which the Indian Government held to be valid. Since these Notes were kept confidential, the Indian public were unaware that they inherited from the British a vexing border problem in the North-East Frontier.

Soon after the recognition of the People's Government of China on December 30, 1949, the Government of India felt it necessary to make it clear to the public that they considered the McMahon Line as the legally valid boundary. In reply to a question by H V Kamath in Parliament on the international status of Tibet on February 8, 1950, Nehru said, "In the early years of this century, a Convention was held between the representatives of the then Government of India and Tibet and of China and at this certain decisions were arrived at. Roughly speaking, the decisions were about the boundary of Tibet and India called the MacMahon Line, that Tibet should be treated as an autonomous country, and subject to China agreeing to this, some kind of Chinese sovereignty should be acknowledged. This was agreed to by them. But later, the then Government of China did not accept this agreement and, therefore, did not sign it. In fact, although this agreement has been acted upon in India and Tibet, there has been no formal signature to it by the Chinese Government. So the matter stands there. Tibet is treated as an autonomous country and its exact relationship to China was not accepted by China."

On March 17, 1950, Debkanta Barooah revealed in Parliament facts which showed that Tibetan officials were forcibly collecting money from NEFA hill tribes, and also that the Assam Government was making an annual payment of Rs 5,000 to the Tawang Monastery in NEFA which was under Tibetan administration and that the bulk of this money was sent to the Drepung Monastery in Lhasa. So it came to be known that the Tibetans did not abide by the Simla Agreement 1914 and still continued to occupy the Tawang area east of Bhutan.

A dangerous situation suddenly arose in the Far East with the outbreak of War in Korea on June 25, 1950. In the beginning India thought North Korea to be responsible for launching an aggression against South Korea and supported the US-sponsored resolution in the UN Security Council recommending punitive measures against North Korea, a satellite of the Soviet Union. This resolution was passed in the absence of two Great Powers, viz, the Soviet Union and the People's Republic of China. (Due to the USA's opposition, the People's Republic of China could not take its seat as a permanent member of the Council and the Taiwan Government was allowed to represent China. The Soviet Union boycotted the proceedings of the Security Council as a protest on this issue during the period from January 13 to July 31, 1950.) There was resentment in China and the Soviet Union against India's siding with the West on a Cold War issue. K M Panikkar, the then Indian Ambassador to China, was able to provide a better appraisal of the facts about the Korean conflict and convince Nehru that there could be no settlement of the Korean conflict without bringing its next-door neighbours, the Soviet Union and the People's Republic of China, into the fold of the Security Council. On July 13, 1950, Nehru sent personal messages to Stalin and Acheson pleading for an early mediation to stop bloodshed in Korea, and stressed therein the necessity of the presence of the Soviet Union and the People's Republic of China in the Security Council. Though this peace overture failed due to American intransigence, it created a favourable atmosphere for India starting a dialogue with China to tackle bilateral issues such as Tibet.

'Liberation' of Tibet

In August 1950 there were several communications between Indian Ambassador K M Panikkar and Chinese Prime Minister Chou En-lai and the officials of the Chinese Foreign Ministry. In the Chinese press and radio at that time there were constant allusions to the immediate necessity of 'liberating' Taiwan and Tibet. In an Indian Note dated August 12, 1950, it was stated that "the Government of India never had nor do they have now any political or territorial ambitions in Tibet". In this note, the Government of India also represented to the Government of China that it was concerned at the possibility of unsettled conditions across the border and strongly urged that Sino-Tibetan relations should be stabilised through peaceful negotiations. The Chinese reply, dated August 21, 1950 stated that the Chinese Government is "happy to hear the desire of the Government of India to stabilise the Chinese-Indian border". It also expressed their willingness to solve the problem of Tibet by peaceful and friendly measures. On August 22, Chou En-lai called K M Panikkar for a general discussion. In this conversation, Panikkar took the opportunity of pressing home the desirability of restraint and moderation in regard to Taiwan, and also raised the question of Tibet. Panikkar wrote in his memoirs: "In regard to Tibet, I knew they were a little uncertain about our attitude. I expressed the hope that they would follow a policy of peace in regard to Tibet. Chou En-lai replied that while the liberation of Tibet was a 'sacred duty', his Government were anxious to secure their ends by negotiations and not by military action ....". ("In Two Chinas", p 105.) On August 26, K M Panikkar in an *aide memoire* to the Chinese Government recognised the fact that the regional autonomy granted to Tibet was an autonomy within the confines of Chinese sovereignty and added: "The recognised boundary between India and Tibet should remain inviolate". On August 31, 1950 the Chinese Ministry of Foreign Affairs informed the Indian Government through Ambassador Panikkar that the Chinese People's Liberation Army was going to take action soon in Western Sinkiang according to set plans and expressed the hope that the Indian Government would assist the delegation of the local authorities of Tibet so that it might arrive in Peking in mid-September to begin peace negotiations.

On October 7, 1950, when the UN Army under American Command decided to cross the 38th Parallel and invade North Korea. Nehru strongly opposed the action. Apart from his objections on moral grounds, Nehru was convinced that the invasion of North Korea was bound to result in Chinese intervention which might lead to an extension of the conflict in the Far East. The Chinese Army at this time launched an attack on Chamdo, a border town in the disputed area of Western Sinkiang. Chamdo fell on October 19 and the Chinese were poised for an invasion of Tibet. The Tibetan delegates called to Peking for negotiations for a political settlement had been nonchalantly procrastinating in India for more than six months on specious pleas, and apparently they received support from some high officials of the Indian External Affairs Ministry. On October 25, 1950, Peking Radio broadcast that the process of liberating Tibet had begun. On October 26, the Government of India sent a note to the Chinese Government protesting against the use of force in Tibet. On October 30, the Tibetan Government asked for diplomatic assistance in the dispute with China. In their second Note dated October 31, 1950, India again made strong protests to China on the issue of sending an army into Tibet, also made it an occasion to remind China of certain privileges in Tibet which the Government of India had inherited from the British Raj. (These related to the presence of an Indian Agent in Lhasa, existence of Trade Agencies at Gyantse and Yatung, maintenance of post and telegraph offices at a trade route upto Gyantse and the existence of a small military escort at Gyantse. The Indian Note did not mention that these privileges arose mainly out of the secret Anglo-Tibetan Trade Regulations of July 3, 1914, an offshoot of the Simla Convention of the same date declared illegal by Republican China.) Though the Chinese Government resented this diplomatic interference by India in the matter of Tibet, the Chinese Army made no further movement from Chamdo. On the other hand, the Government of India did not try for long to dissuade the Tibetan delegation staying in India from going to Peking, as they had implicitly warned in their Note to China dated October 26, 1950.

Differences within Indian Government

But in October-November 1950, there were sharp differences within the Indian Government as to how much support should be given to the Tibetan Government in maintaining *de facto* independence, which it had enjoyed since 1912. The Deputy Prime Minister, Sardar Vallabhbhai Patel was in favour of military intervention in Tibet and he had support from some members of the Cabinet and the Foreign Office. But the Army Chief, General Cariappa, poured cold water on the plan of military intervention in Tibet to save it from China. (B N Mullick, "The Chinese Betrayal", pp 80-81.) The Tibetan Government was encouraged by some official groups in India to submit a complaint of invasion and aggression against Communist China on November 7, 1950 to the United Nations. When the matter was raised in the General Committee on November 15, 1950, it was decided that the Tibetan question should not be included in the General Assembly agenda. The Indian delegate in the committee said that he was certain that a peaceful settlement could be made and Tibet's autonomy could be safeguarded, and that the best way to ensure this was to abandon the idea of discussing the matter in the General Assembly. Failing to receive any sort of military or diplomatic support from the major powers, the Dalai Lama left Lhasa on December 21, 1950 to escape from the Chinese attack and settled at Yatung near the Indian border. The Dalai Lama also wrote to the Government of India seeking political asylum but this was refused on the advice of K M Panikkar.

On November 7, 1950 Sardar Patel who was in favour of an interventionist policy *vis-a-vis* Tibet, gave vent to his feelings in a confidential letter to Nehru. Sardar Patel asserted in this letter, "... The undefined state of frontier and the existence on our side of a population with its affinities to Tibetans or Chinese have all the elements of potential trouble between China and ourselves ... Communism is no shield against imperialism and ... Communists are as good or as bad imperialists as any other. Chinese ambitions in this respect not only cover the Himalayan slopes on our side but also important parts of Assam." (Quoted in Kuldip Nayar "Between the Lines", p 218.) On November 9, 1950 Sardar Patel blurted out in a public speech that there might have been a world war on the issue of Tibet. In the context of sharp division within the Cabinet, Nehru thought it necessary to assure the members of the Indian Parliament that "Map or no map, McMahon Line was our definitive frontier, and no one will be allowed to cross that frontier". Nehru also assured the MPs in the same speech that "The frontier from Ladakh to Nepal is defined chiefly by long usage and custom" (November 20, 1950). In answer to a question by an MP whether this boundary was recognised by the existing Tibetan Government, Nehru admitted that parts of the Indo-Tibetan boundary had not been recognised. But he did not make it clear which parts of the boundary had not been accepted by the Tibetan Government. On December 6, 1950, Nehru repeated in Parliament an earlier statement (March 17, 1950) that the Himalayas formed India's traditional Northern frontier and that since Nepal was on this side of the Himalayas, any threat to the security of Nepal would be considered a threat to India's security.

In November 1950 the Indian Government decided to set up a Committee under the Chairmanship of Major-General Himmatsinghji, Deputy Minister of Defence, with representatives of Defence, Communication, Home and External Affairs Ministries to study the problems created by the Chinese invasion of Tibet. The North and North-Eastern Border Defence Committee was established in February 1951. The report of the Committee was submitted to the Defence Ministry in early 1953. The major recommendations of the Committee were "the reorganisation and expansion of the Assam Rifles, the extension of the administration in the NEFA, development of intelligence network along the border, development of civil armed police, development of communications and check posts."

* e g, The map attached to "The China Hand book (1937-43)", complied by the China ministry of Foreign Affairs; New York; the Macmillan Company.

("Prime Minister on Sino-Indian Relations", Vol I: In Parliament, p 251.) The Border Defence Committee must have also recommended a precise definition of the North and North-east border which it proposed to defend.

Due to the dangers of expansion of the Korean War in November 1950, the question of the Indo-Tibetan border was, however, relegated to the background for some time to come. The Chinese Army halted its march after the fall of Chamdo on the eastern border of Tibet. Nehru had been highly critical of the decision of the UN army under American leadership to cross the 38th Parallel to invade North Korea in October 1950. The collapse of General MacArthur's offensive in late November 1950 in the face of the massive counterattack launched by the ill-equipped Chinese Army and President Truman's talk about the possibility of dropping an atom bomb enhanced the danger of a World War. This also stimulated anti-Western feelings throughout Asia. Nehru became conscious by then about the shift in the world balance of power caused by the emergence of China as a formidable land power able to face the American challenge in Asia, as also the advantageous position gained by India in holding a middle-ground in the new power balance. Nehru and his advisers thought that, as Vijayalakshmi Pandit put it, "... a war is a greater threat to us than Communism in Asia" (*New York Times*, January 1, 1951). In this context it became necessary for India to avoid bickerings with China on the issue of Tibet so that it might act as an honest peace-broker between the warring parties. In a BBC broadcast from London on January 13, 1951, Nehru said, "China, in her new-found strength, has acted sometimes in a manner which I deeply regret. But we have to remember the background of China, as of other Asian countries — the long period of struggle and frustration, the insolent treatment that they received from imperialistic powers and the latter's refusal to deal with them in terms of equality. It is neither right nor practical to ignore the feelings of hundreds of millions of people. It is no longer safe to do so".

In January 1951 the Chinese and the UN Army led by the Americans were locked in severe battle in Korea in the wake of the Chinese counteroffensive, while India was busy leading Arab-Asian nations in the United Nations seeking a formula for peace based on *status quo ante bellum*. On February 2, 1951, the Government of India chose to take over Tawang, which though south of the McMahon Line continued to be an important centre of Tibetan administration. There was no protest by China to the Government of India on the issue of Indian occupation of Tawang, while the Tibetans staged a demonstration before the Indian Mission in Lhasa when the news reached there. The quiet acquiescence of Communist China on the issue of Tawang convinced the Government of India that it would be possible to establish Indian control over the whole of the NEFA area without any opposition from Peking. This was quite in contrast to the attitude of the Nationalist Government of China which had sent several protest Notes on the question of Indian incursion in the NEFA area. The North-eastern frontier was the only vulnerable area through which an attack might be launched by China against India — at least this has been the opinion of the Indian Army Headquarters since 1910, when General Chao Erfeng's army moved about the NEFA area in its march on to Lhasa. Since the mid-thirties, it has been an aim of the Foreign and Political Department of the Government of India to push the North-East frontier from the foothills of Assam to the crest line of the Himalayas. But due to the stiff opposition of the Tibetan Government with whom the British Government wanted to maintain the best of terms with a view to using it as a buffer state *vis-a-vis* China, the mighty British Raj failed to implement the so-called McMahon Line as the North-eastern boundary of India. The taking over of Tawang in the first week of February 1951 without any opposition from the Chinese was rightly regarded by the Government of India as indicating that the People's Republic of China was psychologically prepared to accept the McMahon Line as the *de facto* boundary. On February 1, 1951, India and Burma were the only non-Communist Powers which opposed the US sponsored resolution in the UN General Assembly declaring China as guilty of aggression in Korea. This led to a further improvement in Sino-Indian relations during this period. On February 12, 1951, Nehru told the Indian Parliament, "The House will remember that we were aggrieved at a certain turn of events in Tibet, but we did not allow that to affect our policy or our desire to maintain friendly relations with the People's Government of China. I am glad to say that our relations with the New China are friendly at present".

On March 28, 1951, B V Keskar, Deputy Minister for External Affairs, explained India's policy in regard to the Indo-Tibetan frontier in the Lok Sabha: "The Government is not unmindful of the protection of our frontiers adjoining Tibet. I may go further and say that the Government feels that the best way of protecting that frontier is to have a friendly Tibet and a friendly China. It is obvious that such a complicated and big frontier cannot be well-protected if we have a border country which becomes hostile to us. Therefore, we feel that in tackling the question of Tibet and China, we should always keep in mind that a friendly China and a friendly Tibet are the best guarantee of the defence of our country."

By the end of 1950, the Tibetan Government had realised that neither India nor the Great Powers were prepared to give them diplomatic or military support to bolster up their pretension of independence. In April 1951, negotiations started in Peking between the Chinese and Tibetan delegations and this resulted in a 14-point Agreement on May 23, 1951. This Agreement gave assurance of local autonomy, but provided for the gradual incorporation of the Tibetan Army into the People's Liberation Army of China and the exclusive handling of the foreign affairs by the Central People's Government of China.

From a speech delivered by Nehru in Parliament on November 25, 1959, we get a chronology of Sino-Indian negotiations on the question of Tibet in 1951-1952. "... in an informal conversation with the Indian Ambassador on September 27, 1951, Premier Chou En-lai expressed his anxiety to safeguard in every way Indian interests in Tibet on which matter "there was no territorial dispute or controversy between India and China". He added: "The question of stabilisation of the Tibetan frontier was a matter of common interest to India, Nepal and China and could best be done by discussions between the three countries. Since the Chinese Army entered Lhasa in pursuance of the Sino-Tibetan Agreement of 1951 to take up frontier posts, it was necessary to settle the matter as early as possible." On October 4, 1951, the Indian Ambassador in Peking informed the Chinese Premier that the Government of India would welcome negotiations on the subjects mentioned by Premier Chou En-lai.

Sardar Panikkar came to India in October 1951, and had consultations in the External Affairs Ministry about the attitude to be adopted regarding Tibet. Panikkar hoped that the Chinese would not move a considerable armed force into Tibet ... he further said that extra-territorial rights had no place in the relationship between two independent countries in modern times and India would put herself entirely in the wrong by insisting on the continuance of the rights which the British had forcibly extorted from Tibet. In any case China would not agree to their continuance and there was no way by which India could enforce them except by force of arms which India was not in a position to employ. So the best policy would be to give up gracefully all that was untenable and insist on economic and cultural rights which were of a more fundamental nature and were not necessarily based on treaties. Panikkar's views were shared by the Government of India." (B N Mullik, "My Years with Nehru", p 147.)

In February 1952 the Indian Ambassador in a meeting with the Chinese Premier gave a statement on the existing Indian rights in Tibet and reiterated India's willingness to arrive at a mutually satisfactory settlement. Premier Chou En-lai replied that there was "no difficulty in safeguarding the economic and cultural interests of India in Tibet". He did not refer to the frontier question in his reply; nor did the Indian Ambassador raise this question specifically then." (Nehru's speech in Parliament on November 25, 1959.)

In May 1952, before his departure from China, Panikkar had further conversations with Chou En-lai regarding Tibet. While accepting the legitimacy of our trade and cultural interests in that area, he suggested that the Political Agency in Lhasa, an office of dubious legality, should be regularised by its transformation into an Indian Consulate in exchange for a similar Chinese office in Bombay. So far as our other posts and institutions were concerned, some of them like telegraph lines, military escort at Yatung, were to be abolished quietly in time, and the trade agents and other subordinate agencies brought within the framework of our normal consulate relations. These were to be taken up when circumstances were ripe. ("In Two Chinas", p 175.) Neither side raised the issue of the boundary.

It has been brought to light by Neville Maxwell that in 1952 G S Bajpai, the first Secretary-General of the External Affairs Ministry, who retired in May and was posted as the Governor of the Bombay province, wrote a letter to his old Ministry, urging that India should take the initiative in raising the question of the McMahon Line with the Chinese Government. He warned that to China the McMahon Line might be one of those "scars left by Britain in the course of her aggression against China, who may seek to heal or erase this scar on the basis of frontier rectifications that may not be either to our liking or our interest".

Nehru discussed this suggestion with K M Panikkar, the Ambassador to China, who was in New Delhi for consultations, and Panikkar replied to Bajpai. He told him that the Prime Minister had decided that it was not in India's interest to raise the question of the McMahon Line. Nehru, he explained, had taken the view that since India had unequivocally and publicly stated that it regarded the McMahon Line as the boundary, it should be left to China to raise the subject. If India were to do so, "we should force the Chinese to one of two attitudes: either the acceptance of a treaty signed by us with Tibet, or a refusal of it coupled with an offer to negotiate. The first is not altogether easy to imagine, considering that every previous Chinese Government has refused in terms to accept an Indo-Tibetan treaty as binding on them. The second would not be advantageous to us."

If on the other hand, "China raised the issue", Panikkar went on, "we can plainly refuse to reopen the question and take our stand that the Prime Minister took in his public statement, that the territory on this side of the McMahon Line is ours, and there is nothing to discuss about it". ("India's China War", pp 76-77.)

After the departure of K M Panikkar from Peking, there were some bickerings between the Governments of India and China in July-August 1952 over the despatch of fresh Indian troops to replace the guards at Gyantse and Yatung, seizure of the wireless set of the Indian Trade Agent at Gartok, refusal to allow the Political Officer in Sikkim to visit Lhasa without a proper Chinese visa. (B N Mullik, "My Years with Nehru", pp 149-150.) But again, the issue of the Indo-Tibetan border was not raised by any side. On September 15, 1952 there was an official announcement in New Delhi that the Indian mission in Lhasa was henceforth to be designated as Consulate-General, and that three Trade Agencies at Gyantse, Gartok and Yatung were to be under the general supervision of the Consulate in Lhasa. In the press communique it was declared that the change in status resulted from the fact that the foreign relations of Tibet were currently conducted by the People's Republic of China.

Since October 1952, India's diplomatic activities were concentrated on bringing the Korean War to a close through devising a compromise formula on the vexed question of the repatriation of the prisoners of war. The question of POWs hamstrung the armistice negotiations for about two years. The coming to power of the Republican Party in the USA meant that the influence of the China Lobby, which was pledged to 'roll back the mud tide of Communism in Asia' was ascendent in American politics. The armistice in Korea was signed in July 1953, mainly on the basis of an Indian formula, but India was excluded from the membership of the proposed political conference on Korea in the voting of the UN General Assembly due to the hostile attitude of the USA towards Indian neutralism. India had also become aware of the negotiations going on between the USA and Pakistan about bringing Pakistan into a military alliance with the USA as early as September 1952. The aggravation of the conflict in Indo-China in 1953 also contained new portents of a widespread conflict in Asia. This danger of war in Asia due to the threat of American expansionism prompted the Government of India to mend their fence with China. In September 1953 the Government of India approached the People's Government of China for negotiations regarding the outstanding questions concerning Tibet.

In November 1953 there were further discussions in the External Affairs Ministry in New Delhi, in which it was again decided that the question of the Indo-Tibetan boundary was not to be raised in the forthcoming conference with China in Peking. According to B N Mullik, "... one view expressed during the briefing of our delegation was that the question of India's northern frontier should also be settled during the negotiations. But the general view was that we should not allow China to take this opportunity to take up the whole issue. In any case, China was not going to recognise the McMahon Line which we considered to be our northern frontier and so there could not be any negotiations on that score." ("My Years with Nehru", pp 155-156.)

The Conference opened in Peking on December 31, 1958. Premier Chou En-lai at the first meeting said that the relations between China and India were becoming closer every day and that from among the outstanding questions the two sides could settle questions which were ripe for settlement. The Indian Ambassador then pointed out that there were only small questions pending betwen India and China but he wished to see nothing big or small remaining outstanding between the two countries. Premier Chou En-lai replied that two large countries like India and

China with a long common frontier were bound to have some questions, but all questions could be settled smoothly. (See Note of the Government of India to the Chinese Government, February 12, 1960, White Paper No III, p 91.) According to B N Mullik, "... the conference started with the two sides speaking in two voices, the Indians insisting that all 'pending questions' should be discussed and settled and the Chinese holding the view that only 'such questions as were ripe for discussion' should be taken up leaving the rest for future settlement. In India's view the border question did not exist but the Chinese kept this issue open to be taken up when a suitable occasion would arise." ("My Years with Nehru", p 151.)

The Agreement "on Trade and Intercourse between Tibet Region of China and India" was signed on April 29, 1954. India gave up all the extra-territorial rights which the British Government in India had exercised in Tibet by virtue of the secret Anglo-Tibetan regulations of July 3, 1914. The central provisions of the Agreement dealt with the regulation of trade markets, routes and procedures for traders and pilgrims. The treaty provisions were supplemented by a Note dealing with the withdrawal of Indian military escorts and the handing over of Indian post and telegraph facilities and Indian rest houses to the Chinese. The most important elements of the treaty was contained in the title of the agreement itself in which Tibet was referred to as the "Tibet region of China". This was a definite assurance to China that India had discarded once for all the British policy of bolstering up Tibet as a buffer state. The preamble to the Agreement contained the five principles (1) mutual respect for each other's territorial integrity and sovereignty, (2) mutual non-aggression, (3) mutual non-interference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful co-existence. Of these (1) and (4) are the basic principles declared by Chairman Mao Tse-tung on October 1, 1949 to be followed by the People's Republic of China in establishing diplomatic relations with foreign governments. Points (2) and (3) provided a sort of reassurance of China's peaceful intent towards India. Peaceful Co-existence was the common desire of both sides.

The boundary question arose only indirectly during discussions on Article 4. The Chinese side introduced a draft stating that the Chinese Government "agrees to open a number of mountain passes". The Indian side objected on the ground that this was a way of claiming ownership over what were in fact border passes. The Chinese then withdrew their draft by describing it as a concession. Finally, it was laid down that pilgrims and traders could travel through the following passes and routes: (i) Shipki La, (ii) Mana Pass, (iii) Niti Pass, (iv) Kungri Bingri Pass, (v) Darma Pass and (vi) Lipu Lekh Pass.

It is curious to note that the border passes regulating the flow of trans-Himalayan trade and pilgrimages mentioned in the 1954 Agreement belonged to the Central sector of the border only. There was no reference to border passes either in the Eastern sector where a potential dispute in regard to the Indian claim to the McMahon Line existed, or in the Western sector which represented the frontier of the Kashmir state. The Government of India must have deliberately avoided raising the issue of border passes in the Eastern sector of the frontier and the Chinese also kept silent on the issue denoting tacit acceptance of the McMahon Line. But it is now known from the authoritative source of the Indian, IB Chief B N Mullik that the Indian side did try to fix border marts in the Western Tibet for the benefit of Ladakhi traders. But, "... the Chinese delegate would not discuss the question of trade marts in Western Tibet on the ground that this related to Kashmir which was under dispute between India and Pakistan" ("My Years with Nehru", p 153.) B N Mullik also refers to "the refusal of the Chinese to recognise the customary trade mart in Rudak (Western Tibet) without ascribing any particular reason" and comments, "This was no doubt because the Chinese were building the road from Rudak to Sinkiang via Aksai Chin" (*ibid*, p 153).

Though both India and China were eager to reach agreement in the context of the worsening international situation caused by the policy of brinkmanship declared by the American Secretary of State, there was tough bargaining when the Chinese delegates insisted on having a trade establishment in strategic Simla. The Agreement was held up for six weeks over the proposal. Nehru succeeded in giving that right in Delhi instead. "Finally Peking agreed on Delhi because it wanted the fact of the agreement to become known about the time the Geneva Conference opened" (Insaf in *Hindustan Times*, May 7, 1954).

The Sino-Indian Agreement had mixed reception in the Indian Press. There was hope that in return to handing over the privileges enjoyed in Tibet due to the British legacy, India might be permitted to reopen its consulate in Kashgar (Sinkiang). But the Kashgar consulate could not be included in the agenda inasmuch as the People's Republic of China had declared Sinkiang a closed area. It was admittedly a great gain that India could establish a consulate in Lhasa — an ideal listening post for Central Asia — on a regular basis. The Indian Mission established by the British in Lhasa in the thirties was an office of dubious legality.

According to S S Khera, former Cabinet Secretary and Principal Defence Secretary to the Government of India, "Nehru, with his sense of history and of the need for long-term stability of friendly relations between the two great and ancient nations, had hoped for a 25-year agreement in the first instance. But the Indian negotiators succeeded in achieving only a comparatively short-term agreement for 8 years . . . .

"Jawaharlal Nehru was disappointed. Also late in the day as it was, his suspicions about the Chinese intentions were aroused. He stoutly defended the 1954 Agreement; but he also gave instructions to set up border posts, to safeguard the country's northern frontiers". ("India's Defence Problem", p 155.)

According to D R Mankekar, Nehru addressed a secret memorandum to the External Affairs Ministry, Defence Ministry and Home Ministry on the Sino-Indian border question in July 1954. "In this memorandum Nehru described the Agreement as the new starting point of our relations with China and Tibet and affirmed that both as flowing from our policy and as a consequence of our Agreement with China, the Northern frontier should be considered a firm and definite one, which was not open to discussion with anybody. The Prime Minister directed that a system of check-posts should be spread along this entire frontier, more specially in such places as might be considered." Along with this memorandum was issued a new version of Survey of India maps showing the whole northern frontier as clearly defined replacing the old official maps (e g, The Political Map of India 1950: Scale 1 inch = 70 miles), which showed the northern frontier extending from the north-west end of Kashmir to Nepal as 'undefined', and the McMahon Line as 'undemarcated'.

(To be concluded)

Distribution of Urban Household Wealth—II

V M Jakhade

S L Shetty

This paper seeks to explore the possibilities of presenting a method, albeit a crude one, for observing the trends in wealth distribution among urban households.

At this stage of the country's economic development, no official 'administrative' statistics would provide a correct picture of the reality regarding wealth distribution. The only method of obtaining such a valid picture is through systematic surveys.

However, till such surveys are undertaken, it may be worthwhile to attempt, on the basis of available official statistics, to frame a rough pattern of the distribution of wealth and to indicate broad trends over a period of time. The present study has this modest objective in view.

[The first part of this article was published last week.]

THE most crucial aspect of the attempt made here to estimate urban household wealth distribution is the juxtaposition of wealth tax data with income-tax revenue statistics. The following method is employed. Since the exemption limit under the wealth tax is high, it is assumed that the wealth tax assessees belong to the highest income brackets. That is, when income-tax assessees are arranged in an ascending order of the income scale, the number of income-tax assessees in the highest income brackets equivalent to the total number of wealth tax assessees are assumed to be corresponding each other so that the wealth held by them corresponds to their income assessed. Besides the three qualifications made earlier, it is found necessary to exclude from among the six classes of assessees, the pure salary earners and the companies — for the following reasons. Pure salary earners are assumed to have no other source of income and since their salary income is not based on the wealth possessed by them, their income-tax assessments cannot be juxtaposed against the wealth tax assessments. Pure salary earners are unlikely to have large wealth possessions. For the purpose of this study, it is assumed that pure salary earners have wealth possessions much below the wealth estimated for income-tax paying assessees. As for companies, the shareholders independently pay income-tax on the dividends earned by them and also wealth tax on the share held by them. Therefore, the question of including company assessments in this juxtaposition does not arise.

As may be observed from Tables 10A and 10B, there were 21,399 wealth tax assessees whose wealth assessed amounted to Rs 1,163.67 crores. Total income assessed in respect of these

TABLE 10A : NUMBER OF ASSESSEES (WEALTH TAX)

Year	Net Wealth between							Above Rs 1 crore	Total
	Rs 2 to 3 lakhs	Rs 3 to 5 lakhs	Rs 5 to 10 lakhs	Rs 10 to 20 lakhs	Rs 20 to 25 lakhs	Rs 25 to 50 lakhs	Rs 50 lakhs to 1 crore		
1957-58	4,812 (100)	4,337 (100)	2,544 (100)	876 (100)	96 (100)	161 (100)	52 (100)	30 (100)	12,908 (100)
1958-59	6,855 (142)	6,311 (146)	3,592 (145)	1,177 (134)	114 (119)	202 (125)	69 (133)	32 (107)	18,452 (143)
1959-60	7,190 (149)	6,879 (159)	3,934 (155)	1,214 (139)	132 (137)	203 (126)	56 (108)	29 (97)	19,637 (152)
1960-61	7,733 (161)	7,497 (173)	4,885 (192)	870 (99)	86 (90)	229 (142)	71 (137)	28 (93)	21,399 (166)
1961-62	8,458 (176)	8,228 (190)	5,271 (207)	923 (105)	181 (189)	232 (144)	74 (142)	31 (103)	23,398 (181)
1962-63	9,175 (191)	9,068 (209)	5,259 (207)	1,600 (183)	201 (209)	271 (168)	85 (163)	40 (133)	25,699 (199)
1963-64	9,667 (201)	9,167 (222)	5,324 (209)	1,516 (173)	201 (209)	250 (155)	83 (160)	26 (87)	26,684 (207)
1964-65	14,835 (308)	10,083 (232)	5,141 (202)	1,366 (156)	187 (195)	249 (155)	67 (129)	34 (113)	31,962 (248)
1965-66	17,269 (359)	11,401 (263)	5,011 (197)	1,357 (155)	170 (177)	221 (137)	54 (104)	32 (107)	35,515 (275)
1966-67	18,962 (394)	12,792 (295)	5,234 (206)	1,497 (171)	147 (153)	220 (137)	47 (90)	29 (97)	38,928 (302)

Note : Figures in brackets are index numbers (1957-58=100).

Source : M H Gopal : "Wealth Tax in India : Its Burden and Impact" (New Delhi), 1970, p 101.

BHEL announces a Rs. 22-crore error- with some pride

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TABLE 10B: WEALTH AS PER ASSESSMENT/RETURN (RS CRORES)

Year	Net Wealth between Rs 2 to 3 lakhs	Rs 3 to 5 lakhs	Rs 5 to 10 lakhs	Rs 10 to 20 lakhs	Rs 20 to 25 lakhs	Rs 25 to 50 lakhs	Rs 50 lakhs to 1 crore	Above Rs 1 crore	Total
1957-58	113.34 (100)	160.51 (100)	167.42 (100)	114.39 (100)	21 69 (100)	54.47 100)	34.30 (100)	56.92 (100)	723.04 (100)
1958-59	169.32 (149)	252.90 (158)	251.33 (150)	155 82 (136)	24 91 (115)	70 31 (129)	45.16 (132)	61 73 (108)	1·031.48 ((143)
1959-60	173.41 (153)	260.71 (162)	263.32 (157)	169.17 (148)	29.66 (137)	68.88 (126)	38.43 (112)	33.37 (59)	1,036.95 (143)
1960-61	191.94 (169)	282.97 (176)	347.79 (208)	137.33 (120)	20 59 (95)	89.11 (164)	47.75 (139)	46.19 (81)	1,163.67 (161)
1961-62	206 65 (182)	313.81 (196)	371.27 (222)	141.49 (124)	40 71 (188)	82.02 (151)	48.95 143)	54.63 (96)	1,259.53 (174)
1962-63	227.56 (201)	348.10 (217)	359 46 (215)	214.12 (187)	44.57 (205)	90.40 (166)	57.66 (168)	68.23 (120)	1,410 10 (195)
1963-64	230 15 (203)	365.79 (228)	349 21 (209)	205.94 (180)	47.31 (218)	87.22 (160)	57.27 (167)	51.40 (90)	1,394 29 (193)
1964-65	342 36 (302)	390.42 (243)	343 10 (205)	167.60 (147)	46.12 (213)	86.16 (158)	45.16 (132)	56 00 (98)	1,476.92 (204)
1965-66	416.25 (367)	428.41 (267)	330.57 (197)	190.89 (167)	38.05 (175)	73 89 (136)	38.30 (112)	74 11 (159)	1,590.47 (220)
1966-67	443.55 (391)	474.77 (296)	348.54 (208)	196.86 (172)	35.11 (162)	74.28 (136)	32 10 (94)	60.71 (107)	1,665.92 (230)

Note: Figures in brackets are index numbers (1957-58=100).
Source: M H Gopal, *op cit*, p 102.

TABLE 11 : INCOME AND WEALTH TAX ASSESSEES (OTHER THAN COMPANIES AND PURE SALARY EARNERS), 1960-61

(Derivation of Capitalisation Rate from Wealth and Income Tax Data)

Range of Total Income (Rs)	Number of Assessees	Total Income Assessed (Rs '000)
3,001 – 5,000	1,89,177	7,95,356
5,001 – 7,500	1,63,885	10,26,681
7,501 – 10,000	88,193	7,64,359
10,001 – 12,500	51,665	5,80,116
12,501 – 15,000	34,255	4,69,977
15,001 – 20,000	40,641	7,03,187
20,001 – 25,000	21,462	4,80,185
25,001 – 30,000	12,589	3,44,459
30,001 – 40,000	13,008	4,48,675
	10840	484908
	195*	8788*
40,001 – 50,000	11,035	4,93,696
50,001 – 60,000	6,210	3,39,604
60,001 – 70,000	4,000	2,59,102
70,001 – 1,00,000	5,843	4,83,127
1,00,001 – 2,00,000	3,863	5,18,892
2,00,001 – 3,00,000	718	1,73,261
3,00,001 – 4,00,000	236	80,987
4,00,001 – 5,00,000	123	54,524
Over 5,00,000	211	1,88,297
(Total from * onwards) (i e, Wealth Tax assessees)	21,399	210,65,82
All Income tax assessees	647,114	820,80,08

Year	Wealth Tax Data: No of Assessees	Total Wealth Assessed
1960-61	21,399	Rs 1163.67 crores

Capitalisation rate : $\frac{\text{Rs } 1163.67 \text{ crores}}{\text{Rs } 210.66 \text{ crores}} = 5.52$

* For the division at this point, see the text.

21,399 assessees under the income-tax revenue statistics amounted to Rs 210.66 crores for the same year (see Table 11). When this income is compared with the wealth possessions, the capitalisation rate works out to 5.52. This capitalisation rate is assumed to hold good for all income-tax assessees for 1960-61.

On the basis of this multiple, the size distribution of income-tax assessments has been converted into size distribution of wealth, as presented in Table 12. As may be observed from the Table, the wealth of households assessed for income-tax works out to Rs 4,529 crores, as against the total urban household wealth of Rs 9,694 crores for the year 1960-61. The wealth distribution as presented in this Table takes the following shape:

Size of Wealth	Proportion of Households	Proportion of Wealth
Rs 16,561 and below	96.25	53.28
Above Rs 16,561	3.75	46.72
	100.00	100.00

COMPARISON WITH RURAL HOUSEHOLDS

At this stage, it is worth comparing our results for urban households with the distribution of tangible wealth in respect of rural households, as observed from the results of the All-India Rural Debt and Investment Survey: 1961-62 conducted by the Reserve Bank

of India.[20] The relevant data are reproduced in Table 13.

It may be seen from this Table that about 5.0 per cent of the top rural households possessed about 36.6 per cent of the total rural wealth in 1961-62. This includes the non-cultivating households in the rural areas. Among the cultivating households, about 6.4 per cent of the top households possessed about 37.8 per cent of the total wealth held by such households. These top households belonged to the asset size of above Rs 20,000, which is the highest size group given therein, whereas our *estimates represented so far do not give* such a size group. In order to facilitate comparison of the two sets of data, the size classes in the present estimates have been regrouped into wider class intervals and smaller numbers of classes, assuming that the distribution within an existing class interval *is uniform.* These data are presented in Table 14.

As may be observed from Table 14,

TABLE 12: DISTRIBUTION OF URBAN WEALTH, 1960-61

Size of Wealth (Rupees)	No of Households		Amount of Wealth	
	Number	Percentage	Amount ('000)	Percentage
Below 16,561	1,66,85,048	96.25	5,16,51,243	53.28
16,561– 27,600	1,89,177	1.09	43,90,365	4.53
27,601– 41,400	1,63,885	0.95	56,67,279	5.85
41,401– 55,200	88,193	0.05	42,19,262	4.35
55,201– 69,000	51,665	0.03	32,02,240	3.30
69,001– 82,800	34,255	0.02	25,94,273	2.68
82,801–1,04,000	40,641	0.02	38,81,592	3.00
1,04,001–1,38,000	21,462	0.01	26,50,621	2.73
1,38,001–1,65,600	12,589	0.008	19,01,414	1.96
1,65,601–2,20,800	13,008	0.007	24,76,686	2.55
2,20,801–2,76,000	11,035	0.006	27,25,202	2.81
2,76,001–3,31,200	6,210	—	18,74,614	1.93
3,31,201–3,86,400	4,000	—	14,30,243	1.48
3,86,401–5,52,000	5,843	—	26,66,861	2.75
5,52,001–11,04,000	3,863	—	28,64,284	2.95
11,04,001–16,56,000	718	—	9,56,401	0.99
16,56,001–22,08,000	236	—	4,47,048	0.46
22,08,001–27,60,000	123	—	3,00,973	0.31
Over 27,60,000	211	—	10,39,400	1.07
Total for Income-tax assessees	6,47,114	3.75	4,528,87,57	46.72
Grand Total	1,73,35,808	100.00	9,69,40,000	100.00

TABLE 13 : DISTRIBUTION OF TANGIBLE WEALTH BY ASSET GROUPS—ALL INDIA

Asset Group	Cultivators			Non-cultivators			All Rural Households		
	Proportion of Households in Asset Group (per cent)	Percentage Share in Tangible Wealth	Average per Household (Rs)	Proportion of Households in Asset Group (per cent)	Percentage Share in Tangible Wealth	Average per Household (Rs)	Proportion of Households in Asset Group (per cent)	Percentage Share in Tangible Wealth	Average per Household (Rs)
Less than Rs 500	6.5	0.3	312	49	6.9	222	17.9	0.8	244
Rs 500-Rs 1,000	9.7	1.1	752	19.3	8.4	685	12.2	1.7	723
Rs 1,000-Rs 2,500	24.8	6.4	1,689	17.4	16.2	1,471	22.9	7.1	1,644
Rs 2,500-Rs 5,000	23.3	12.6	3,570	7.1	15.0	3,336	19.0	12.8	3,546
Rs 5,000-Rs 10,000	18.6	19.6	6,958	4.1	17.3	6,642	14.7	19.4	6,934
Rs 10,000-Rs 20,000	10.7	22.3	13,738	1.6	13.1	12,632	8.3	21.6	13,681
Rs 20,000- and above	6.4	37.8	38,079	1.1	23.0	33,949	5.0	36.6	38,786
All-assets group	100.0	100.0	6,609	100.0	100.0	1,574	100.0	100.0	5,267
Concentration Ratio		0.6006					0.6636		

Source : Reserve Bank of India Bulletin (Vol XIX, No 6, June 1965), p 811.

TABLE 14 : DISTRIBUTION OF URBAN HOUSEHOLD WEALTH, 1960-61

Asset Group	1960-61				
	Number	Percentage Distribution	Amount (in Rupees crores)	Percentage Distribution	Average Wealth Per Household (in Rupees '000)
Below Rs 20,000	167,47,623	96.61	5301.88	54.69	3.17
Above Rs 20,000	5,88,185	3.39	4392.12	45.31	74.67
Rs 20,000-Rs 50,000	3,49,095	2.01	1131.95	11.67	32.43
Rs 50,000-Rs 1,00,000	1,44,478	0.83	980.53	10.11	67.87
Rs 1,00,000-Rs 2,00,000	57,472	0.33	755.81	7.80	131.51
Rs 2,00,000-Rs 5,00,000	30,154	0.17	879.28	9.07	291.59
Rs 5,00,000 and above	6,986	0.04	644.55	6.65	922.63
Total	173,35,808	100.0	9694.00	100.0	5.28
Concentration Ratio			0.7220		

TABLE 15: DISTRIBUTION OF TANGIBLE REPRODUCIBLE WEALTH OF RURAL HOUSEHOLDS BY ASSETS GROUPS

Asset Class	Households		Reproducible Tangible Wealth	
	(in '000s)	Percentage*	(Rs Crores)	Percentage*
Upto Rs 200	22,256	33.9	200.71	3.0
201-400	11,675	17.8	330.98	5.0
401-600	8,475	12.9	426.85	6.4
601-1,000	7,578	11.5	591.11	8.9
1,000-2,000	7,396	11.2	1048.21	15.7
2,001-3,000	3,557	5.4	867.67	13.0
3,001-5,000	2,618	4.0	990.28	14.9
5,001-10,000	1,598	2.4	1092.08	16.4
10,000 and above	580	0.9	1113.99	16.7
Total	65,733	100.0	6661.88	100.0
Concentration Ratio		0.7004		

* The percentages are worked out by us on the basis of the absolute figures given therein.

Source: NCAER, All-India Rural Household Survey (Vol III), pp 11-16.

TABLE 16: INCOME AND WEALTH TAX ASSESSEES (OTHER THAN COMPANIES AND PURE SALARY EARNERS): 1966-67

(Derivation of Capitalisation Rate from Wealth and Income Tax Data)

Range of Total Income (Rs)	Number of Assessees	Total Income Assessed (Rs '000)
4,001– 5,000	1,54,544	7,34,849
5,001– 7,500	2,40,336	15,13,282
7,501–10,000	1,19,342	10,77,541
10,001–12,500	70,474	8,19,190
12,501–15,000	49,097	7,02,165
15,001–17,500	38,486	6,40,774
17,501–20,000	25,944	5,07,832
20,001–25,000	30,087	7,04,715
25,001–30,000	29,818	8,41,408
30,001–40,000	34,931	12,46,862
40,001–50,000	18,097	8,34,567
50,001– 60,000	10,755 $\frac{426}{10329*}$	6,08,593 $\frac{24100}{584493*}$
60,001– 70,000	7,204	4,83,837
70,001–1,00,000	10,958	9,41,006
1,00,001–2,00,000	7,502	10,54,367
2,00,001–3,00,000	1,494	3,75,221
3,00,001–4,00,000	557	2,03,843
4,00,001–5,00,000	282	1,33,739
Over 5,00,000	602	6,68,625
Total from *onwards (i e, Wealth tax assessees)	38,928	444,51,31
All Income tax assessees	8,50,510	1423,14,58

Year	Wealth Tax Data	
	No of Assessees	Total Wealth Assessed
1966-67	38,928	Rs 1665.92 crores

Capitalisation Rate: $\frac{\text{Rs } 1665.92 \text{ crores}}{\text{Rs } 444.51 \text{ crores}} = 3.75$

* For the division at this point, see the text.

in 1960-61, 3.39 per cent of the urban households had wealth above Rs 20,000 per household and they possessed about 45.31 per cent of the urban household wealth. The corresponding estimates for rural households, as revealed by the Reserve Bank of India Survey for 1961-62, are: 5 per cent of the top households possess 36.6 per cent of total wealth, or 6.4 per cent of the top cultivating households possess about 37.8 per cent of the total wealth held by all cultivating households. While the top assets group, of Rs 20,000 and above, possessed an average household wealth of Rs 38.79 thousand in the farm sector in 1961-62, the corresponding group in the urban sector possessed an average household wealth of Rs 74.67 thousand in 1960-61. That the degree of inequality is greater in the urban sector than in the rural sector, may also be observed from the concentration ratios[21] worked out for the two sets of data. While, for the urban household sector, the ratio is 0.72, for the rural household sector, it works out to 0.66, and for farm household sector, it is 0.60.

It must be noted that the tangible wealth, as revealed by the RBI study, includes the value of land. In this regard, the NCAER, in their rural household survey conducted in 1962, give the distribution of only tangible reproducible wealth among the different size groups of rural household.[22] The relevant extract is presented in Table 15. Here, the highest size group is shown as Rs 10,000 and above. The households belonging to this size group were 0.9 per cent of the total rural households, and they possessed about 17 per cent of the total reproducible tangible wealth. For this group of households, the concentration ratio works out to 0.70 (see Table 15). This shows that, if value of land is excluded from the wealth possession of rural households, inequality gets widened — though it does not appear as skewed as in respect of urban household sector.

Here, a few general observations about the present results should be noted. The first observation is about the capitalisation rate of 5.52. It may be argued that there is no need to apply a uniform capitalisation rate, as it may in reality differ at different wealth/income scales. The possibility, as Gulati had observed, is that the rate of capitalisation may be higher at higher levels of wealth possession.[23] We have, however, adopted uniform rates of capitalisation instead of arbi-

trary, differential ones. It has to be conceded that if the principle of differential rates is accepted, the degree of inequality in urban wealth distribution would be wider. Secondly, the major limitation of the study is that it is based on administrative data such as wealth and income-tax revenue statistics which have many drawbacks.

As stated earlier, we have also attempted similar estimates for two more years, *viz*, 1949-50 and 1966-67, so as to find out, to the extent possible, the trends in wealth distribution of urban households. However, in the process, certain special problems have arisen and those problems have been solved as follows.

For 1966-67, the same method as the one employed for 1960-61 has been adopted for deriving the capitalisation rate. The details are contained in Table 16. The capitalisation rate works out to 3.75 only, as against the rate of 5.52 derived from 1960-61. A close reading of the wealth tax statistics reveals the possible reason for such a sharp decline in the rate. Over the period 1960-61 to 1966-67, the number of wealth tax assessees has increased at a faster rate than the rate of increase in wealth assessed. Thus, while there was a 82 per cent increase in the number of assessees between 1960-61 and 1966-67, wealth assessed increased by 43 per cent only (see earlier Tables 10A and 10B). During the same period, average wealth assessed per assessee declined from Rs 5.44 lakhs to Rs 4.28 lakhs. Wealth tax per assessee has come down more steeply from Rs 3,861 to Rs 2,795.[24] Since the number of wealth tax assessees is the crucial variable for determining the level of income (assessed) corresponding to the amount of wealth assessed, the relatively large increase in the number is reflected in the lower rate of capitalisation. It is conceivable that in India, the increase in the number of wealth tax assessees is partly dubious: in order to avoid tax laws, many a wealth holding has been subdivided, resulting in considerable increase in wealth-tax assessees. In order to make allowance for the possible underestimation of the rate of capitalisation, we have taken a range of possible rates of capitalisation: the minimum is 3.75, as it actually emerges from the data for 1966-67 itself and the maximum is the rate derived for 1960-61, *viz*, 5.52. While the degree of inequality for 1966-67 in legal terms is like the one obtained from Estimate I (with 3.75 capitalisa-

TABLE 17A: DISTRIBUTION OF URBAN WEALTH, 1966-67

Size of Wealth (Rupees)	Number of Urban Households		Amount of Wealth	
	Number	Percentage	Amount (in '000s)	Percentage
Below 15,000	197,78,396	95.64	8575,34,37	61.87
15,001– 18,750	1,54,544	0.75	275,56,84	1.99
18,751– 28,125	2,40,336	1.17	567,48,08	4.09
28,126– 37,500	1,19,342	0.58	404,07,79	2.92
37,501– 46,875	70,474	0.34	307,19,63	2.22
46,876– 56,250	49,097	0.24	263,31,19	1.90
56,251– 65,625	38,486	0.19	240,29,03	1.73
65,626– 75,000	25,944	0.13	190,43,70	1.37
75,001– 93,750	30,087	0.15	264,26,81	1·91
93,751– 112,500	29,818	0.14	315,52,80	2.28
112,501– 150,000	34,931	0.12	467,57,33	3.37
150,001– 187,500	18,097	0.09	312,96,26	2.26
187,501– 225,000	10,755	0.05	228,22,24	1.65
225,000– 262,500	7,204	0.003	181,43,89	1.31
262,501– 375,000	10,958	0.05	352,87,73	2.55
375,001– 750,000	7,502	—	395,382,76	2.85
750,001–1125,000	1,494	0.004	140,70,79	1.02
1125,001–1500,000	557	—	76,44,11	0.55
1500,001–1875,000	282	—	50,15,21	0.30
Over 1875,000	602	—	250,73,44	1·81
Total for income-tax assessees	8,50,510	4.36	5284,65,63	38.13
Grand Total	206,28,906	100.00	13860,00,000	100·00

TABLE 17B: DISTRIBUTION OF URBAN WEALTH, 1966-67

Size of Wealth (Rupees)	Number of Urban Households		Amount of Wealth	
	Number	Percentage	Amount (in '000s)	Percentage
Below 22,081	1,97,78,396	95.64	6080,98,64	43.87
22,081– 27,600	1,54,544	0.74	405,63,67	2.93
27,601– 41,400	2,40,336	1.17	835,33,17	6.03
41,401– 55,200	1,19,342	0.58	594,80,26	4.29
55,201– 69,000	70,474	0.34	452,19,29	3.26
69,001– 82,800	49,097	0.24	387,59,51	2.80
82,801– 96,600	38,486	0.19	353,70,73	2.55
96,601– 110,400	25,944	0.13	280,32,33	2.02
110,401– 138,000	30,087	0.15	389,00,27	2.81
138,001– 165,600	29,818	0.14	464,45,72	3.35
165,601– 220,800	34,931	0.17	688,26,78	4.97
220,801– 276,000	18,097	0.09	460,68,09	3.32
276,001– 331,200	10,755	0.05	335,94,33	2.42
331,201– 386,400	7,204	—	267,07,80	1.93
386,401– 552,000	10,958	0.05	519,43,53	3.75
552,001–1104,000	7,502	—	582,01,06	4.20
1104,001–1656,000	1,494	—	207,12,20	1.49
1656,001–2208,000	557	—	112,52,13	0.81
2208,001–2760,000	282	—	73,82,39	0.54
Over 27,60,000	602	—	369,08,10	2.66
Total for income-tax assessees	8,50,510	4.36	7779,01,36	56.13
Grand Total	206,28,906	100.00	13860,00,00	100.00

TABLE 20 : DISTRIBUTION OF URBAN HOUSEHOLD WEALTH—1949-50 AND 1966-67

	Asset Group	1949-50				1966-67 Estimate I				1966-67 Estimate II			
		Number	Percentages Distribution	Amount (in Rupees Crores)	Percentage Distribution	Number	Percentages Distribution	Amount (in Rupees Crores)	Percentage Distribution	Number	Percentage Distribution	Amount (in Rupees Crores)	Percentage Distribution
1	Below Rs 20,000	133,27,377	98.55	4095.29	71.66	199,64,904	96.78	8926.39	64.40	179,19,227	86.86	5563.62	40.14
2	Above Rs 20,000	1,95,444	1.45	1619.71	28.34	6,64,002	3.22	4933.61	35.60	27,09,679	13.14	8296.38	59.86
3	Rs 20,000-Rs 50,000	1,10,217	0.82	357.14	6.25	4,14,537	2.01	1290.96	9.31	23,28,041	11.28	2127.12	15.35
4	Rs 50,033-Rs 1,00,033	49,868	0.37	336.76	5.89	1,37,194	0.67	975.70	7.04	2,09,893	1.02	1489.60	10.74
5	Rs 1,03,000-Rs 2,00,033	22,192	0.16	298.21	5.21	76,498	0.37	1056.99	7.70	1,01,020	0.49	1490.43	10.75
6	Rs 2,03,033-Rs 5,00,033	10,243	0.07	291.96	5.11	27,834	0.13	818.20	5.90	56,891	0.28	1683.65	12.15
7	Rs 5,00,000 and above	2,924	0.02	335.64	5.87	7,939	0.04	781.76	5.64	13,834	0.06	1505.58	10.86
8	Total	135,22,821	100.0	5715.00	100.0	206,28,906	100.0	13,860.00	100.0	206,28,906	100.0	13860.00	100.0
	Concentration Ratio			0.6738				0.6824				0.6842	

	Average Wealth Per Household (in Rs '000s)
1	3.07
2	82.87
3	32.40
4	67.53
5	134.38
6	285.03
7	1147.87
8	4.29

	Average Wealth Per Household (in Rs '000s)
1	3.10
2	30.62
3	9.14
4	70.94
5	147.57
6	295.92
7	1088.34
8	6.72
	0.6842

tion rate), the real distribution should tend towards Estimate II (based on a 5.52 capitalisation rate). Table 17A and 17B give the conversion of income-tax assessments into wealth holdings under Estimates I and II, respectively.

For 1949-50, too, in the absence of any wealth-tax data, the same capitalisation rate of 5.52 as revealed for 1960-61 is applied. Table 18 presents the data for 1949-50. A comparative picture of wealth distribution, as emerges from the orginal income-tax revenue statistics, is summarised in Table 19.

Summary of Results

Because of lack of homogeneity in the size classes of different years, the proportions given in Table 19 are not comparable. Therefore, regrouping of the data has been attempted, as for 1960-61, in Table 14 and comparative results for 1949-50 and 1966-67 have been presented in Table 20, which may be read with the data for 1960-61 shown in Table 14. A better view of the trends in distribution of wealth over the period 1949-50 to 1966-67 may be had in the following summary in Table 21.

The proportion of urban households with wealth above Rs 20,000 (at current prices) has increased consistently over a period of years, and the proportion of wealth held by them has also increased except in the case of Estimate I for 1966-67 which shows a decline in the proportion of wealth held by households which have wealth above Rs 20,000 each. Concentration ratios worked out and presented in Table 21 show that inequality in the urban household wealth distribution had increased between 1949-50 and 1960-61; however, the estimates for 1966-67 show that this trend has been reversed.

Notes

20 See *Reserve Bank of India Bulletin* (Volume XIX, No 6, June 1965), pp 807-866.

21 Concentration ratios here represent Gini's Co-efficients.

22 All India Rural Household Survey (1965), Volume III (Basic Tables with *Notes, pp 11-16).*

23 See Gulati I S: "Capital Taxation in a Developing Economy (India)", (Bombay: Orient Longmans, 1957), pp 116-117. Also Table 1 on p 118. *Gulati stated thus:* "The differential rates of capitalisation have been adopted on the assumption that the lower the income the smaller the element based on property".

24 M H Gopal, *op cit,* pp 101-104 (Tables IA, IB, 2A and 2B.)

Table 18: Distribution of Urban Wealth, 1949-50

Size of Wealth (Rupees)	Number of Non-Farm Households		Amount of Wealth	
	Number	Percentage	Amount (in thousands)	Percentage
Below 8,280	132,40,190	97.91	3902,84,94	68.29
8,281– 16,950	46,221	0.03	108,68,51	1.90
16,951– 19,775	25,494	0.02	46,97,86	0.82
19,776– 28,250	58,166	0.04	138,27,70	2.42
28,251– 42,375	51,865	0.04	179,27,85	3.14
42,376– 56,500	28,998	0.02	141,42,57	2.47
56,501– 70,625	17,707	0.01	112,04,69	1.96
70,626– 84,750	11,647	0.009	89,92,26	1.57
84,751– 1,13,000	13,286	0.009	129,13,13	2.26
1,13,001– 1,41,250	7,856	0.006	99,65,08	1.74
1,41,251– 1,69,500	5,074	0.004	78,18,24	1.37
1,69,501– 2,26,000	5,835	0.004	112,91,92	1.98
2,26,001– 2,82,500	3,185	0.002	80,59,61	1.41
2,82,501– 3,39,000	1,864	0.001	57,40,29	1.00
3,39,001– 3,95,500	1,197	—	43,60,90	0.76
3,95,501– 4,52,000	809	—	34,10,00	0.60
4,52,001– 5,08,500	595	—	28,59,80	0.50
5,08,501– 5,65,000	436	—	23,27,12	0.41
5,65,001– 8,47,500	1,150	—	78,21,92	1.37
8,47,501–11,30,000	438	—	42,20,83	0.74
11,30,000 and over	810	—	187,64,78	3.28
Total Wealth for income-tax assessees	2,82,631	2.09	1812,15,06	31.71
Grand Total	135,22,821	100.00	5715,00,00	100 00

Table 19: Trends in Distribution of Urban Wealth — Original Results

	Size Class	Proportion of Households (in Percentages)	Proportion of Wealth
1949-50	Below Rs 8,280	97.91	68.29
	Above Rs 8,280	2.09	31.71
		100.00	100.00
1960-61	Below Rs 16,561	96.25	53.28
	Above Rs 16,561	3.75	46.72
		100.00	100.00
1966-67			
Estimate I			
	Below Rs 15,000	95.64	61.87
	Above Rs 15,000	4.36	38.13
		100.00	100.00
Estimate II			
	Below Rs 22,081	95.64	43.87
	Above Rs 22,081	4.36	56.13
		100.00	100.00

Note: For details, see Tables 12, 17A, 17B and 18.

Table 21: Trends in Distribution of Urban Wealth (Regrouped)

		Proportion of Households	Proportion of Wealth	Concentration Ratio
		(In Percentages)		
1949-50	Below Rs 20,000	98.55	71.66	
	Above Rs 20,000	1.45	28.34	
		100.00	100.00	0.6738
1960-61	Below Rs 20,000	96.61	54.69	
	Above Rs 20,000	3.39	45.31	
		100.00	100.00	0.7220
1966-67				
Estimate I				
	Below Rs 20,000	96.78	64.40	
	Above Rs 20,000	3.22	35.60	
		100.00	100.00	0.6824
Estimate II				
	Below Rs 20,000	86.86	40.14	
	Above Rs 20,000	13.14	59.86	
		100.00	100.00	0.6842

Note: For details, see Tables 14 and 20.

Guest Keen Williams Limited

Statement by the Chairman, Mr K C Maitra

THE following is the Statement by Mr K C Maitra, Chairman, Guest Keen Williams Limited, on the occasion of the Fortyfourth Annual General Meeting of the Company held in Calcutta on April 26, 1974:

It is my pleasant task to welcome you to this Fortyfourth 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

My first priority, both personally and on behalf of shareholders, is to offer very sincere good wishes to the three retiring members of your Board. Firstly I may mention Mr A K Roy, who joined your Board in October 1966 after a distinguished career in the Government service: he has consistently provided your Company with wise counsel based on his wide-ranging experience of industry and public life, and I am glad to have this opportunity to pay tribute to him.

From the executive team Mr M M Malkani retired on 1st October last year, and Mr K K A Ramachandran is retiring at today's Annual General Meeting and not seeking re-election. In their service as executives and latterly as Directors of your Company, both men have played key roles in the development of GKW from the relatively small private company which it was thirty years ago to the leading position it holds today. The importance of their contribution can hardly be overstressed, and again I am glad to have an opportunity to record our sincere appreciation of their services.

Your have already been informed of the appointment of Mr G M Ghosh and Mr L Hodges as whole-time Directors of your Company with effect from 1st September 1973. Both men have held executive appointments within GKW over a number of years, and are currently in charge of the Fasteners Division and Engineering & Forgings Division respectively. Their appointment to the Board maintains the executive representation of important areas of GKW activity, and I warmly commend the confirmatory resolutions before you today.

The non-executive Director strength of your Board has similarly been restored by the election of Mr S Ranganathan and Mr A Ray on 1st February 1974. We are fortunate in securing the services of men of their calibre and distinction, and again I warmly commend the confirmatory resolutions.

Operations during 1973

As usual, the salient details are given in the Directors' Report and my task is to highlight certain major themes. In each of my last three speeches to you, I have sought to place the GKW results for the year under review in a longer-term context: although I may repeat myself I believe it is necessary to take the same line today.

The improvement in your Company's fortunes between 1969 and 1971, and the plateau of prosperity we have had from 1971 to 1973, were governed by four essential inputs. The first of these is *capital investment*: our last round of major investment decisions were taken in the early sixties, financed as to foreign exchange by our majority shareholder providing substantial sterling loans. Such investment involves risk, as was shown with devastating clarity in our 1967/68 figures. The risk proved justified, however, when two more of the essential inputs began to go right in 1969/71: *demand* for our products, and *supply* of items we purchase — particularly raw materials and power. During that period, India experienced improved agricultural sector performance, an excellent rate of installation of power generating capacity and better availability of foreign exchange for materials not indigenously available or in short supply. These factors helped both product demand and consumables supply simultaneously, and industrial activity was buoyant. By common consent however, the performance of the agricultural sector was pivotal in the general improvement. The fourth major input is *labour*: this is never an overriding constraint in India given — as has been a feature of GKW throughout its history — willingness to train men in the necessary skills. But certain conditions are necessary for such trained labour force to be peaceful and productive. These include political stability, plus adequate availability of wage goods at reasonable prices — particularly food. Thus agricultural sector performance holds a second key to industrial output.

Both in 1972 and in the year under review, your Company has in essence traded on the enhanced asset base generated by the investment decisions of ten years ago, and indeed this phase is in a way marked by the repayment in 1973 of the largest single year's drawings on our sterling loan in 1966. By contrast 1973 capital expenditure — mainly on replacement and balancing plant, but with some useful improvement schemes within existing licensed capacity — has again been low. Dealing with the other crucial inputs I have cited, only product demand remained satisfactory in 1973. Throughout the year we could have sold more in virtually all our product ranges, had we been able to secure the necessary raw material and power: in both these areas, however, the position worsened and has been even more serious in 1974 to date. The Directors' Report comments on the fall in investment in stocks, mainly on account of raw material: given rising prices, the fall in tonnage is even greater. Clearly the production rates sustained in 1973 consumed material at a greater rate than replenishment, and with stock at or near zero at the year end in a number of categories either the replenishment rate has to rise or production will fall. The power situation has become particularly serious in Eastern region, affecting not only our Works but also the main steel producers, and we now have the added threat of oil shortage. To the credit of your Management and responsible Trade Unions with whom we deal, in 1973 GKW was again largely free of serious industrial unrest and completed peaceful negotiation of several major new agreements. Along with the country as a whole, however, we had to solve many problems arising from agitation in various States and key industries during the year, and the failure of the food supply and price situation to respond to the good 1973 monsoon must be recognised as a major contributory factor.

The 1973 picture, therefore, may be summarised as a problem year with the problems overcome. But the problems were looking more serious at the year end than at the beginning, and such cushions as we had twelve months ago have been largely used up. This clearly has implications for 1974, to which I now turn.

Outlook for 1974

I said in 1972 and repeated last year, that we have to run quite fast just to stay where we are and maintain our profit figures. Despite attacking cliches in a previous speech to you, I have no option but to repeat the same prognosis for 1974: it is indeed a corollary of inflation, which is currently afflicting the whole world. India is experiencing a rate of inflation higher than world average; and since our ratio of imports to GNP is comparatively low, we must look mainly for internal reasons. Neither in agriculture nor in industry over the last two years has there been any significant increase in real output; population and wage levels have risen, expectations have risen, non-plan expenditure has risen, and the equation has been balanced by increased money supply, not real output.

A company like GKW, broadly based on materials and components for industry generally, is a microcosm of the national picture. As for the nation, so for GKW, growth in real output offers the only scope for meeting the rising expectations of our employees and rising costs of our purchases, with minimum inflation of our own prices. This is why I have again outlined the factors favourable to GKW growth which led to the improvement from 1968 onwards, and observed that these factors are not present today. Your company is strongly placed by virtue of the quality of its product range, the quality of its productive capacity and personnel at all levels, and the respect which we enjoy in our various markets; but the lack of major new capacity coming on stream, and the handicaps to even maintaining achieved levels of output due to a worsening position of raw materials, power, and fuel oil, compel me to be cautious about 1974. The first quarter workings were satisfactory, but the second quarter is likely to be less so and the prospects for the second half are exceedingly difficult to forecast — some supply problems look like easing, others may get worse. I see virtually no chance of profit increase in 1974 therefore: some reduction is I fear more likely, but — given a reasonable level of essential inputs — I am confident that the GKW team can hold it within acceptable limits.

Exports

I am glad to be able to record a further improvement in exports, although the figure is not as high as we had hoped — and indeed looked like achieving, until certain problems arose towards the year end connected with the formula specifying minimum added value of engineering exports. Pending clarification some shipments were delayed; and the booking of shipping space became exceedingly difficult at the close of the year.

Given that steel is in overall short supply, any use of steel for export will entail additional import if the requirements of the domestic market are also to be met. Hence a target added value is not unreasonable; but I hope it can be tempered by practical considerations. One of the most valuable assets any exporter has in the eyes of his customer is credibility as a supplier: therefore frequent policy changes should be avoided, and when a change is made an exporter who has immediate deliveries due against a contract under the previous rules should be automatically exempt for (say) three to six months. More importantly, a particular product in a particular market, established by hard work over a number of years, may be found to earn less than the target added value. Any target percentage is arbitrary and governed wholly by Indian considerations: but both the imported steel price and the market price for the product are wholly outside Indian control, and the relationship between them will inevitably vary from time to time. The question is whether India should abandon an established market, and all the work that has gone into it, merely because it does not at a particular time fit an arbitrary figure. I think it is unwise to try and give a single answer to this question, I believe each case needs examination on its merits.

Meanwhile exports in 1974 have begun well, and provided we can maintain production I am confident that a new export record substantially in advance of previous levels will be achieved. First quarter export earnings were over Rs 50 lakhs, so we already have over half the 1973 figure in the kitty.

Bonus and Rights Issues

The 1 for 2 bonus issue was duly made last year, and the dividend for 1973 has been declared on the enhanced capital. You will recall that the consent for the bonus issue carried a condition that we should also make a rights issue in the sum of Rs 50 lakhs (inclusive of premium) to Indian shareholders only. The General Meeting on 31st October 1973 authorised the Board, subject to the consent of the Controller of Capital Issues, to issue 222,223 equity shares at a premium of Rs 12.50 per share; the resolution also gave the Board power to vary the number of shares and the premium to take into account the views of the Controller of Capital Issues. In the event, consent was accorded for an issue of 250,000 shares at a premium of Rs 10 per share, to be issued by way of rights in proportion as nearly as circumstances admit to the resident Indian shareholders of the company.

Your Board has accepted this revised proposal, and the shares will shortly be offered to resident Indian shareholders whose names appear on the Register of Members as at April 26, 1974.

Future Prospects

April 1974 marks the beginning of what should be India's Fifth Five-Year Plan 1974/79. I say "should be", because the actual draft Plan had come under considerable criticism even prior to the oil crisis, and subsequent to that crisis has been largely written off by many commentators. In the process, planning itself has come under criticism. I want first to observe that this reaction is misguided. Your Company annually updates a five year forward plan and uses it as the framework for investment and operating budgets for the immediate future: if this is essential for running a company, it is still more essential for running a country.

But plans by companies are subjected to certain rules. A review of past and present performance is essential, identifying policies which have proved successful in the past and seeing whether those successes can be repeated or reinforced; conversely, weaknesses must be identified and dealt with. Plans must be constructed within the resources available, or likely to be generated or brought in from outside: a plan which breaks this rule is not only not helpful, it is an active hindrance to taking necessary decisions on priorities simply because it does not reveal their necessity. The perspective review of GKW, which I have given earlier has, I think, some useful pointers towards conditions for growth in a national context. I have neither the space nor the economic expertise to cover the entire field, but there are three themes I feel may be useful and constructive.

The first concerns basic structure of growth projections. The Fifth Plan aims at 5.5 per cent, because even this rate — allowing for 2.2 per cent population growth — takes over 20 years to double per capita income. The average includes, as before, high rates of

general industrial growth, and this pattern in turn calls up still higher rates in capital-intensive basic industry. But four-fifths of our population live in the villages; agriculture has borne the brunt of the population increase including unemployment or underemployment. Even if foodgrain production had reached the Fourth Plan target of 129 million tonnes, it would have done little to raise agricultural productivity per head, and actual achievement is expected to be far below that target. This is surely the main cause of virtually zero increase over the last few years in the per capita income of the country as a whole measured at constant prices. It also limits marketable surpluses from the rural sector, with consequential lack of monetary economy and difficulty in releasing the demand which that sector could generate. At the same time, the food supply and price situation in deficit and urban areas poses a threat to political and industrial stability. Only improved agricultural production and productivity can reverse these trends, no realistic forecast of industrial growth can cope with the numbers. It therefore seems to me that any industrialist must advocate first priority to the agricultural sector, as a piece of enlightened self-interest.

The needs are well known, such as water and fertiliser inputs; transport; better storage, including silos, canning and freezing facilities to yield higher utilisation of already available output; and applied research and development directed at Indian needs and conditions. Action on these would in a number of cases generate industrial demand directly; and improved earnings in the agricultural sector would generate second order industrial demand. I also believe that success would carry two riders; firstly, the sector could and should then bear a greater share of the tax burden; secondly, as well as avoiding present or future imports, the sector could improve its already substantial export contribution. Merely on sectoral size considerations, a small percentage increase in the exportable surplus of agricultural products or manufactures could achieve foreign exchange earnings which smaller industries like engineering can only manage by massive increase in capacity or total abandonment of domestic needs.

The second main theme of comment I would like to offer concerns oil. The exact figures at which this problem will eventually be measured are not yet clear, but a common estimate is that OPEC countries will demand an additional $ 50/60 bn in 1974; the developing countries' share is around $ 10 bn, greater than the total aid flow. The important point is that the increased OPEC income is many times greater than their physical ability to absorb products in return. Government is right to look at export potential to the oil-producing states, but neither for India nor for the world will this cover more than a limited proportion of requirements; along with the rest of the world, India will have to run up debts for oil. If foreign debt for a consumable item is essential, it markedly steps up the requirement that foreign debt on capital account must generate import substitution or export potential: it must service not only its own debt but the oil debt as well. A substantial part of the debt servicing burden we already carry was incurred in pursuit of Plan objectives of import substitution and export payoff; yet (for example) we still have to import steel, and engineering exports are hindered by shortage of this vital material. This is a familiar line of criticism of our performance against objectives in previous Plans, yet we tend to continue with the same basic approach on an increasing scale. It is more than ever imperative that we make better use of capacity laid down in earlier Plans, and at the same time be prepared to examine alternative approaches.

My third theme is derived from the first two. Suppose Government does decide to allocate far more of available public funds to support agriculture, and infrastructure servicing agriculture and industry. Suppose it is also forced to commit more of its overseas credit to borrowing on account of oil purchase. At the same time, however, projected improvement in agricultural productivity sustains a forecast of rising industrial growth on a demand-led commercial basis, fortified by a better food supply and price situation and increased exportable surplus. In the service of economic growth overall, Government would be seeking to diminish rather than extend its commitments in the industrial field in order to provide additional outlays on agriculture within the resources available to it. It would therefore welcome very substantial private sector growth in a fully recognised and applauded national role: in particular, the larger houses would have most to offer, on the scale in which Government would be seeking private initiatives. Lastly, if borrowing abroad assumes a new respectability because of the dimensions of the oil problem, perhaps financing part of India's huge capital needs by foreign equity might regain respectability also: I do not believe foreign majority companies would object to export commitment sufficient to cover its dividend cost, and India cannot afford to ignore this substantial source of credit rating overseas.

I would like to end this section by according due recognition to the problems which Indian planners always face, and always will do even when external circumstances are favourable. When they have to deal with a crippling affliction like the oil price increase, the whole nation must rally with sympathy and support. I earnestly hope they in turn will not merely resort to larger doses of medicines which have proved inadequate even for less severe ailments both diagnosis and treatment need: to be dispassionately reviewed.

Our Associates

Your Company continues to benefit from the consistent support of Guest Keen & Nettlefolds Ltd, UK, and from the personal contribution of Mr H S Killick who has been a regular and most welcome visitor throughout the year. Early in 1974, we were also fortunate to have a team with us including Mr Emrys Davies, who had earlier played a leading part in the layout of GKW Steelworks in its present form. It is this sort of continuity in the GKN approach, whereby senior men in the UK company put in much time and effort over many years to know our problems at first hand, which ensures maximum effectiveness of the help we receive.

Conclusion

The problems of 1973, continuing in 1974, have imposed considerable stresses on people in GKW at all levels. With vital supplies irregular and uncertain, it has been necessary to chop and change on a daily or even hourly basis, and the implications of this for people in sales, production control, works management and shop floor are obvious. My traditional closing words of appreciation for the loyal and unstinted efforts of the whole GKW team are therefore more appropriate than ever. I am sure that shareholders will endorse these sentiments, and share with me the confidence that the combination of expertise and effort which has gone into the existing achievement will stand us in good stead in the evermore challenging future.

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

Joint Sector for Consumer Industries

THE public sector, as an offspring of State planning, comprises core industries, occupies commanding heights in our mixed economy and provides the infrastructure for further industrial development and diversification in the years to come. Of late, the Government of India has also realised the importance of the development of consumer industries in the public sector.

The joint sector is a logical sequence in the process of state economic planning as a golden mean between a completely free economy and a totalitarian one. As an instrument of socio-economic progress, the joint sector has its own commendable features.

First, it is a halfway house between public sector and private sector and can certainly combine the best from both sectors. Secondly, the joint sector is ideally suited to consumer goods, both durable and non-durable. Thirdly, it provides a better and effective check on the ever growing multinational corporations which flourish in very many of our consumer industries by the use of international brand names claiming foreign ownership. Finally, by helping to curb foreign domination in consumer industries, it will reduce the colossal drainage of foreign exchange caused by the foreign companies in diverse and devious ways.

The Union Government has done well to exclude foreign companies from the joint sector. Now as it is, they cannot use the joint sector for entry into fields in which they are otherwise precluded.

Balanced regional growth, larger employment, supply of mass consumption items at lower prices and according to the needs and tastes of the people in the various states or regions, diffusion of economic power and all-pervasive self-reliance in the true sense of the term are the economic and social benefits that can be achieved by effective implementation of the concept of joint sector.

The entry of the joint sector in the foreign dominated cigarette industry will act as a fillip to the indigenous sector inasmuch as the Union Government will now find itself under a compulsion to adopt a more favourable policy towards the joint sector companies than it used to be towards the indigenous companies. In this process, the government will also take steps against the foreign cigarette companies as warranted by its new and avowed policy which has till now remained only on paper. In addition to the implementation of the new policy of encouraging only cent per cent Indian companies to benefit by the increasing demand for cigarettes, the government must take immediate steps to peg the production of the foreign companies, particularly of the foreign monopoly.

Having mooted and initiated the joint sector concept for the cigarette industry, Golden Tobacco will play a worthy role in the sector. With the Company's equity participation and technical collaboration, joint sector factories will soon come up in Jammu and Kashmir, Assam and Madhya Pradesh. More such companies may come up in other states.



Suessen Textile Bearings Limited, Baroda

Address by the Chairman, Mr Arvind Narottam Lalbhai

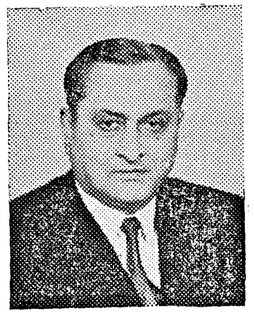
THE following is the Address by Mr Arvind Narottam Lalbhai, Chairman, Suessen Textile Bearings Limited, Baroda, at the Sixteenth Annual General Meeting of the Company held on April 24, 1974:

Before welcoming you all to this 16th Annual General Meeting of the Company, as a mark of respect to the departed soul of Mr M D Mehta, Promoter Director of the Company, we all should observe two minutes' silence.

The sad demise of Mr M D Mehta on 25th October 1973 has caused irreparable loss to the Company. Mr M D Mehta was an active member on the Board of Directors and played a key role in laying a sound foundation for building up this Company and under his able guidance and wise counsel the Company grew in stages to its present position. He enjoyed a unique position and commanded spontaneous respect of all sections of business society — his other colleagues on the Board, Collaborators, other institutions connected with the Company and the industry at large and the members of the staff of all categories. He was kind and generous and a gentleman to the core, and was held in high esteem by one and all. As a businessman he was a shining example of shrewdness and acumen of high calibre and of the few self-made men of the now vanishing generation, who by dint of sheer hard work, perseverance and optimism have pioneered Industrial Development. His zeal for taking up new projects and manufacturing ventures to make India self-sufficient in textile machinery was responsible for his being awarded a gold medal by the Industries Association.

In his sad demise I feel myself and other colleagues on the Board have lost a guiding spirit. Mr Mehta's memory will be cherished for all that he did for the Company and the industry at large. The fittest tribute that we can pay to him is that we should cherish even more the ideals of dynamic entrepreneurship, philanthropy and social services that he propagated through his work during his lifetime and to follow his tradition by putting in hard and sincere work and complete dedication to the work entrusted for betterment of the Company's progress.

At this opportunity, I would like to inform you that your Directors have appointed Mr H G Dalal on the Board in place of Mr M D Mehta. Mr Dalal is also one of the promoters of the Company and was on the Board since inception of the Company till he retired in early 1968. Mr Dalal has also been responsible for the growth of the Company and I am sure that his valuable guidance, sound business knowledge and rich sales experience in the textile industry will benefit greatly the Company for its future progress.



Mr Arvind Narottam Lalbhai

The Company's performance and activities during the year under review, as revealed by the Accounts with the Directors' Report which have been in your hands for sometime past, have, you would agree with me, been satisfactory and encouraging. It is a matter of great satisfaction for your Directors and particularly I am very happy to be present here in person before you at this occasion when for the first time the proposal for issue of Bonus Shares in the proportion of 2 such shares for every 5 of the existing Equity Shares is before you for your consideration along with the proposal for maintaining Equity Dividend.

Though the sales turnover has increased to Rs 2,31,93,987 from Rs 2,21,14,254 previous year the profits for the year have declined from the level of the previous year, mainly owing to the comparatively lesser productivity during the first half of the year under review, as a result of labour unrest and consequent problems, apart from scarcity of raw materials and rapidly increasing prices of all inputs. After providing Rs 11,77,347 for Depreciation, Rs 6,40,000 for Development Rebate and Rs 7,50,000 for taxation and after other appropriations the balance of Rs 15,76,645 is transferred to the General Reserve. Reserves built up by the Company so far aggregate to Rs 78,91,619 mainly comprising of Rs 34,06,300 Development Rebate and Rs 44,80,065 General Reserve. With a view to bring the Issue Capital of the Company into closer relationship with the Capital actually employed in the business, your Directors have recommended capitalisation of a sum of Rs 18,66,400 and to apply the same for issue of Bonus Shares which would satisfy expectations of you all.

The gross block has substantially increased during the current year to Rs 203 lakhs from Rs 163 lakhs the year before and owing to this and the further investment planned for the current and the next years, your Directors have recommended extension of the period of redemption of Preference Shares.

Your Directors have, in their Report, comprehensively explained the bright future of the Indian Textile Machinery Industry which is poised for further rapid growth and substantial expansion. It is true that the Indian Textile Machinery Industry is at the crossroads of substantial growth and significant export spurt. The Development Council for Textile Machinery Industry and its High Powered Committee have stressed the urgency of the Textile Machinery Manufacturers doubling or even trebling their production within the shortest possible time, to meet not only the growing requirement of the indigenous industry, but also for exports. It is well known that the Company's products are even now, for the present capacity of the Textile Machinery Manufacturers, in substantial short supply, owing to the increasing preference of the Textile Mills to specify the Company's products, and therefore in this context, if the Textile Spinning Machinery Manufacturers are required to substantially augment the manufacture of new equipment both for expansion and modernisation, it is absolutely essential that our Company should take the necessary steps to even further expand our capacities to cope with the demands. The estimate of 5.8 million new spindles required during the Fifth Five-Year Plan period, apart from modernisation of at least 2 or 3

million spindles, assures a very bright future for the Company.

The year 1973 can be considered to be a remarkable year, particularly from the point of view of breakthrough in the overseas market both by way of securing very large orders for direct exports and indirect exports as well. Many of the developed Western European countries are finding their operations unremunerative and uneconomic because of the increasing inflationary trends in their economies and steeply rising wages. This presents a golden opportunity for our industry to exploit to the fullest the export market to the extent possible, both to bolster our country's foreign exchange earnings and to create a significant rise in industrial production which would ultimately lead to greater employment opportunities.

The Company secured from our Collaborators themselves very substantial orders for direct exports to them and in this context I must, on behalf of you all and on behalf of the Directors, express my deep gratefulness to them for the confidence that they have shown in initiating the Company's products in the sophisticated markets of West Europe. I must further commend the far-sighted decision of Mr Hans Stahlecker, Managing Director of our Collaborators, in agreeing to postpone and partial cancellation of our export supplies to them owing to realisation of the acute need of our own country to bolster our spinning production to ultimately augment the export earnings by way of Cotton Textile exports to meet partially the foreign exchange situation thrust on us as a result of the Oil Crisis.

I must also commend the efforts of Engineering and Marketing (Star) Development Consultants, our development consultants through whose efforts last year, at a time when the market situation was not this bright, that the Company secured very substantial orders by way of indirect exports through Indian Textile Machinery Manufacturers to many countries such as Korea, Taiwan, Indonesia, Thailand, etc. In fact it is a matter of great pride for our Company that more than 70 per cent of all exports of Spinning Frames and Fly Frames have been specified with our Company's products. This is in no small measure due to the technical assistance received from the Collaborators and the very hard work put in by Mr Suresh Mehta, our Joint Managing Director who has energetically pursued at all levels, particularly with the government authorities and the ancillary supplying units so that the latest designs of products as current in the West European market are today manufactured in the Company with almost total indigenisation.

As for the current year, target for sales turnover is set at Rs 350 to Rs 400 lakhs depending however upon the availability of raw materials in time. The Government of India having decided to give topmost priority to the Textile Machinery Industry is endeavouring to treat the requirements of raw materials, etc, with utmost expediency and I would like to take this opportunity to make a mention of the excellent support and assistance the industry has obtained from the Ministry and the Office of the Textile Commissioner which have both functioned more as development oriented departments than just regulatory wings of the Government. I, therefore, believe that nothing can hinder the further rapid growth of the industry in the coming years as a result of global opportunities for exports now unfolding before the Indian Textile Machinery, components and accessories manufacturing Industries.

I must however mention here your Directors' apprehensions as to the general unstable economic conditions prevailing in India today, and the effects of the severe credit restrictions imposed on the Industries. For this reason, in spite of the tremendous possibilities open before the Company, it would be incumbent upon your Directors to plan specific investment programmes with the utmost of caution and after very thorough and detailed study of the financial implications, both as concerns capital costs and working capital requirements. However, in view of the substantial gap between our presently licensed capacity and the increased demands as a result of the growing indigenous requirements as well as export requirements your Directors are seriously considering making further Industrial Licence application for substantial expansion of capacity for all our products.

Your Directors have, under these circumstances, you would all appreciate, taken timely decision in appointing M/s Aussenhandle AG as selling agents for the Company's products in the overseas countries. I would also like to take the opportunity of putting on record the excellent co-operation from the Collaborators not only in accepting the responsibility to render after sales service in respect of the Company's products exported by the Indian Textile Machinery Manufacturers but having spared services of Mr G W Golding for the Company. I am happy that Mr Golding, who has already resumed duties at the factory beginning last month, is here with us once again. Mr Golding, you are all aware and would agree with me, is an expert technician of proven abilities and his presence at Baroda ensures the continuance of excellent teamwork of both the Joint Managing Directors for a still brighter future for the Company.

I would also like to thank my other colleagues on the Board for their valuable guidance. I would also like to put on record the excellent co-operation received from the senior executives of the Company and the hard work and devotion to duty of all sections of our staff members and workmen. I am confident that the spirit of teamwork and co-operation at all levels would help the Company in implementing the expansion targets as scheduled. I also thank you all for gracing this Meeting with your presence and for patiently hearing me.

JAI HIND

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

Indian Council of Social Science Research has sanctioned a scheme of financial assistance to doctoral Students in the field of Social Science to visit The Sardar Patel Institute of Economic and Social Research. Research Scholars, registered for a Doctorate degree in Social Sciences are eligible. At this centre preference will be given to Scholars working in Economics or related areas. Selected Scholars will be entitled to cost of travel from place of residence to the Institute both ways and daily allowances to cover board and lodging expenses. The period of stay of an awardee will be not less than 2 weeks and not more than 10 weeks. For further details and application form, etc, write to Administrative Officer, **Sardar Patel Institute of Economic and Social Research,** Post Box No. 4062, Navrangpura, Ahmedabad-380 009.

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VIETNAM: A YEAR AFTER PARIS

'IZVESTIA' CAN, BUT CAN THE CPI?

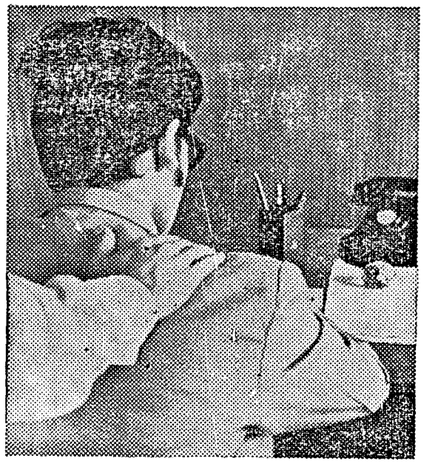
BROKEN STATUE, SMASHED HEADS, BURNT SHOPS

TAMIL NADU: GRIM POWER PROSPECTS

AT THE FOODGRAIN TRADERS' MERCY

RAILWAYS: SUBSIDISING THE RICH

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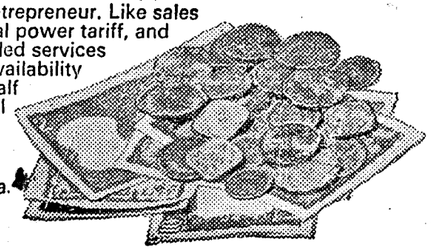
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What the Country Can Afford —and What It Cannot!

THE Prime Minister's long-awaited statement, made during the debate on the no-confidence motion in the Lok Sabha on Thursday, authoritatively sets out the government's position on the strike of railway workers. The government, the Prime Minister made it clear, will not negotiate on the two substantive demands of railway workers: those for bonus and for parity in emoluments with employees of public sector undertakings. This was not a matter simply of the merits of the railwaymen's demands; the issue was a larger one. The government was going to make an example of the railwaymen and expected the working class as a whole to take the government's handling of the railway strike as a warning. As the Prime Minister put it, "today we are not considering what more to give to the railwaymen. We are considering whether we go along giving more and more at a time when we have less and less." There was more than a hint in this to employers in the private sector that in resisting the demands of labour they could count on the support of the government since, in the government's view, an economic imperative of the present times was to stop "giving more and more" to workers, whether in the public or the private sector. There had been far more strikes last year than in any of the previous years, the Prime Minister said; the government had negotiated on them and in many cases had given what the workers had asked for. But, she asked, "did that create an atmosphere of co-operation, of greater production?" No, it had not; instead concessions made by the government had "only led to the next demand immediately". This view of workers as people who are always asking for more with total unconcern for production and productivity as well as the larger national interest — whatever that glibly-used expression may mean — would have done credit to any deep-dyed spokesman of the Employers' Federation and other cabals of private sector employers.

That the government's response to the railwaymen's demands has been determined by its larger objective of showing organised labour its place is confirmed by the viciousness of the measures taken to defeat the strike. Already over 10,000 railway workers have been arrested and nearly 1,000 dismissed from service. Before the confrontation is finally over, these figures may be doubled or trebled. Only a minute fraction of those imprisoned have been arrested on specific charges; the overwhelming majority are victims of the DIR, MISA and other preventive detention laws. And, probably for the first time, trade union leaders have been treated like notorious criminals with large rewards offered for their capture. Equally reprehensible have been the steps taken by the railway authorities, and the police and paramilitary forces assisting them, to compel striking workers to return to work. There is the case of the 41 motormen of the Central Railway's Bombay division who were allegedly held incommunicado by a senior railway official for a whole day and later handed over to the police when finally none of his threats persuaded them to keep away from the strike. There have been instances of railway officials going to the houses of striking workers accompanied by fully armed police personnel and threatening them that if they did not return to work immediately they would be arrested and dismissed from service. Then there have been the trumped up "people's morchas" — made up, for all one knows, of policemen in plain clothes — which have sought to harass the families of striking workers in railway colonies. Harassment of families of workers in hiding or in prison has also taken the form of threats to evict them from their quarters. Besides, of course, there has been the more straightforward use of third degree. In Bombay at least, a railway worker, bleeding profusely from the nose or from a head wound, being bundled into a police van or jeep has not been an unknown sight.

Yet, the Prime Minister would have us believe, it is not that she loves the railway workers less; only that she loves the country more. And the interest of the country apparently requires that the railwaymen be imprisoned in their thousands and dismissed in their hundreds and that they and their families be harassed by the police in a score of different ways. The railway workers' strike, the Prime Minister pointed out in her speech in the Lok Sabha, would aggravate an already difficult economic situation. What she understandably omitted to mention was that it was this difficult economic situation which has reduced the railway workers and the rest of the working class to desperation, driving them to resort to strikes and other such actions. In the face of a rise in the wholesale price index of 91 points — roughly equal to the rise in the entire ten-year period upto 1971-72 — in the last two years, not even the most liberal arrangements for linking dearness allowance to the

price level have been able to save the real wages of workers from declining sharply. In addition, in many industries — such as steel — where a part of the workers' earnings is linked to the quantum of physical output through production incentives etc, there has been a decline in even money earnings as a result of fall in production for which the workers have been in no way responsible.

It is a cruel joke to argue, as the Prime Minister did in her speech, that before the demands of the railway workers could be considered the government had to think of other sections, such as unorganised labour and the unemployed, who were worse off than the railway workers. In the first place, who maintains the unemployed and the inadequately employed in this country? Certainly not the government. It is the railway workers and the rest of those with jobs who sustain their unemployed brothers and nephews by sharing their earnings with them. In the circumstances, it is simply not correct to suggest that a little more for those with jobs means that much less for the unemployed. Secondly, even if it is argued that ultimately the hopes of the unemployed of finding jobs hinge on the level of investment in the economy, it can hardly be suggested that the levels of investment and, therefore, the pace of expansion of employment, have been dismal in the whole of the last decade because organised labour has grabbed a disproportionate share of the national cake. Both for the immediate economic situation as well as for the long-term stagnation of the economy, the blame lies squarely with the policies pursued by the government which, taken together, add up to the evaporation of all pretence of planning and the abandonment of the economy to the forces of the market-place.

The Prime Minister has argued that the country cannot afford to pay the railway workers more. The government presided over by the same Prime Minister has, however, adjudged that the country can afford to give a thumping 40 per cent price increase to rich farmers for their produce, to further upholster the salaries and perquisites of the upper bureaucracy in the public and private sectors, to gift away Rs 100-120 crores to tax-payers by way of a gratuitous cut in tax rates, to permit manufacturers and traders in a wide range of goods — from sugar and vanaspati to fertilisers and cement — to make super profits, most of it tax-free, by exploiting shortages which in the first place they have themselves created by speculative stock-accumulation (made possible by credit obligingly provided by supposedly nationalised commercial banks) and by deliberate restriction of output. The country can afford all this because the interests of the rich farmer, the upper bureaucracy, the professional elite and the industrialists and traders are close to the government's heart. Admittedly, in a situation of economic stagnation, as these sections are given more and more, others must get less and less. It is all of a piece with the government's political and economic orientation, therefore, that the Prime Minister should decide that, when it comes to the demands of railwaymen, and the working class generally, the country cannot afford to meet them. If the police, the paramilitary forces and the army itself have to be called in to teach the workers what the country can afford and what it cannot, the government will not hesitate to do so. That much the railway workers strike has demonstrated.

Food Policy

At the Traders' Mercy

IN both Haryana and Punjab, recorded arrivals of wheat in the *mandis* during the first few weeks of the marketing season are running at a rate not even one-third of what it was last year. As harvesting operations pick up by the end of this month, storage in the countryside could tend to get strained, and thus lead to some improvement in arrivals. But what matters is whether the rate of arrivals would forge ahead of last year's performance. This is most unlikely, for, on all accounts, a certain pattern has already been established. Even if the grain turns up the market, in quite a number of cases there would not be any record of it: the arrivals and departures would be surreptitious, so that the traders would be saved the bother of sharing with the government a part of the turnover.

The government's touching faith in the Graindealers' Association is understandable. Thoroughgoing reforms in trading institutions are out, the enforcement of producer levy is out: either step will tear asunder the delicate fabric of the Congress party: the authorities therefore have to fall back on the sweet reasonableness of farmers and traders. But now that the traders and farmers have got the government where they wanted, they would rather watch the fun. In terms of the benign agreement reached with the Prime Minister, traders were supposed to hand over to official agencies one-half of their market purchases. They would, no doubt, conform to the letter of the agreement. But who can fault them if market arrivals dip — at least in the records —, and the absolute magnitude of what they give to the state agencies also dips?

All things considered, Krishi Bhavan should consider itself lucky if total procurement of wheat this year touches 2.5 million tonnes, as against 4.5 million tonnes last year, and 5.5 million tonnes promised, once upon a time, to the Prime Minister — again, of course, 'informally' — by the Graindealers' Association.

As of now, there are barely 3 million tonnes of foodgrains in government stocks. Internal procurement and the left-over shipments from the Soviet Union would perhaps add another 3 million in the coming months, thus making up a total of 6 million tonnes to last the nation for the next six months. At least 1 million tonnes out of this aggregate can be considered as 'non-operational', because of the logistics of storage and transport and also partly because the quality would be such as to make the grains unfit for human consumption. Effectively, therefore, 5 million tonnes would have to be spread over a period of six months, which works out to a monthly average of 800,000 tonnes for public distribution. In the corresponding months of similar difficult years in the past, distribution through the ration and fair price shops had been as much as 1.5 million tonnes in a single month. Food riots are indeed a genuine possibility if not more than half of that is made available in the ensuing season. What is worse, with public distribution running dry, market prices are bound to shoot up further, and the distress of the landless and the small farmers in the countryside will become even more acute.

It is thus scarcely surprising that the government's emissaries are negotiating in the Soviet Union, the USA, Canada and Australia for further shipments of wheat. Given the minimum lead-time necessary to arrange for shipping, the purchases must be effected immediately if these are to provide any relief in the coming lean months. On the other hand, however, in the context of the bumper harvest forecast for both the USSR and North America, world prices of wheat have begun to tumble, and the rate of decline in prices could reach steep proportions by end of June or early July. The temptation to hold off sizeable purchases till then could indeed be great. A harassed government, short of food but equally short of funds, may thus indeed feel flustered in arriving at a decision. Its anxiety not to divulge the actual quantity being considered for import is understandable, since that could give a boost to speculators. But it is too late in the day now to play the role of a desiccated accountant either.

And the government must not expect any sympathy from the nation in its present predicament. The Prime Minister's favourite explanation of the price rise is that it is a world-wide phenomenon. In the case of wheat, this statement is already no longer true. Besides, the increase in procurement prices, to the extent of 40 per cent, hardly makes any sense if procurement, instead of being more, is going to be significantly less than last year. That this is how things were going to turn out was predictable, and was predicted by several quarters. The level of procurement prices is no longer a relevant factor at all for actual procurement: by raising the government's purchase price, you do not necessarily improve your chances to procure, just as, by lowering tax rates, you do not necessarily persuade more people to pay their taxes. It all depends on the climate: if it is altogether permissive, if the government would not involve itself in the task and would leave it to the sense of patriotism of farmers and traders, little is likely to be procured, irrespective of how much you may decide to raise the level of procurement price. In the present context, the government's decision to increase its own purchase price actually provides the signal to the operators in the market to raise *their* prices. And the more they raise their prices, the more their holding power goes up, and therefore the more they are able to hold back stocks and further raise prices. This phenomenon of spiralling market prices has nothing to do with the cost of production; at current prices, the return over cost would be more than 100 per cent in a large number of cases. But come the next season, the flop in procurement would be adduced as the reason for perhaps recommending a further rise in prices.

Railways

Subsidising the Rich

THE railway workers' strike has raised the question of the railways' financial ability to meet the demands of the workers, in particular those for bonus and for parity in wage structure with other public sector undertakings. The Railway Minister and other spokesmen of the railways have drawn attention to the losses incurred by the railways, though with a noticeable difference in emphasis. Normally the railways never miss an opportunity to make out that their financial insolvency is largely attributable to the 'social burden' borne by them in terms of the various subsidised services provided by them. Right now the railways do not want to draw attention to this aspect of their operation lest inconvenient questions be raised about who really benefits from the subsidised services provided by the railways and whether, in the light of that, there can be any justification at all for these services.

The following table, taken from the Explanatory Memorandum to the Railway Budget for 1974-75, gives the railways' estimate of the financial effect of the so-called 'social burden' carried by them:

		(Rs crores)
(1)	Loss on unremunerative branch lines	10.98
(2)	(a) Loss on suburban traffic	14.00
	(b) Loss on non-suburban passenger traffic and other coaching traffic	81.06
(3)	Loss on low-rated freight like coal, foodgrains, ores, etc.	115.40
(4)	Loss on freight concessions on export trade, relief measures, etc.	4.00
Total		225.44

The major sources of loss for the railways, it is evident from the above figures, are passenger and coaching traffic, both suburban and other, and low-rated freight traffic. With regard to passenger traffic, details are not available to indicate what types of services contribute in what proportion to the loss. It is not known whether at least the upper class services pay their way and whether some of the semi-luxury services, such as the air-conditioned trains and the super-fast trains introduced between the larger cities, are remunerative. Clearly, in regard to these services at least there does not exist the slightest case for any subsidy. The railways' loss on passenger transport comes to as much as about 23 per cent of their total earnings from such transport. It is difficult to justify a subsidy of this order on any kind of passenger traffic, including third class and suburban traffic.

With regard to goods traffic, the railways incur large losses on the so-called low-rated traffic which constitutes a preponderant and growing proportion of the total goods traffic, as the Table shows. The possibilities of the railways making good the losses by raising the rates on the high-rated items are strictly limited. In regard to many of these items the railways face keen competition from road transport and have perhaps been losing some traffic to the latter already. There is, therefore, no escape from raising, and raising substantially, the rates on the commodities on which the railways now charge rates which are far below their costs.

The major commodities transport of which is subsidised by the railways are coal, foodgrains, fertilisers, cement, mineral ores, pig iron and iron and steel. In examining the case for these subsidies, the most important consideration to be borne in mind is that the government is just not in a position to effectively control the prices or the distribution of most of these commodities. Even where formal price and distribution controls exist — as, for instance, in cement or fertilisers — these controls are in practice largely ineffec-

TABLE

Year	Total Revenue Earning Traffic (in million tonnes originating) (1)	Low Rated Commodities (2)	(2) as Per Cent of (1)
1965-66	162	124	76.2
1966-67	164	127	77.5
1967-68	162	128	78.7
1968-69	171	136	79.6
1969-70	174	138	79.4
1970-71	168	133	79.2
1971-72	170	133	78.4

tive. The prices as well as allocation of these commodities are substantially decided by market forces of demand and supply. In recognition of these facts, the government itself has levied or raised excise duties on many of the commodities the movement of which the railways quixotically continue to subsidise.

In the best of circumstances, it would be ridiculous for the railways to subsidise the movement of cement for building apartment houses and posh offices and factory buildings. Today the situation is truly farcical with cement — as well as other commodities subsidised by the railways like fertilisers and iron and steel — being sold in the 'open' market at two or three times the controlled price and with cement manufacturers and traders making money hand over fist. In the circumstances, who benefits from the subsidy — Rs 115 crores in 1972-73 — on the movement of these goods borne by the railways? Certainly, not the consumers of the products concerned; and most certainly not the type of consumers in whose case alone a subsidy at the cost of the public exchequer can be justified.

Given their present freight structure, the railways serve as a milch cow for private industry and trade and the rich. It is patently dishonest, therefore, to adduce the state of railway finances as the justification for denying the railway workers' demand for better emoluments.

Call Loan Market

How Exclusive?

A Correspondent writes :

THE Chairman of the State Bank of India has once again raised the propriety of LIC and UTI entering the call loan market. The main burden of his criticism is that this is a discrimination in favour of big institutional depositors. The contention that this also imposes a greater burden on the banks is based on the assumption that all the funds going into the call market from these institutions would otherwise have come to the banks as deposits.

The root of the problem, however, lies in the illogical interest rate structure that is sought to be maintained. Some kind of a dual market operates in the field of credit. The call loan market is a relatively free market and prices here are influenced more by the forces of supply and demand. It is no surprise, therefore, that participants in the controlled market such as LIC and UTI should be looking for an opportunity to enter the free market. (It needs to be added, however, that financial institutions are exempt from the maximum deposit interest rates stipulated by the Reserve Bank. To that extent, their position even in the controlled market is different from that of the other suppliers of funds.)

Each segment of the credit market is subject to its own special stresses and strains. Fluctuations in one market need not necessarily represent what would happen in the other segments of the market. However, the rates that prevail in the relatively free market are a good indication of the extent of tightness or easiness in the market. Thus what has been happening in the call loan market clearly points to the unrealistically low level at which the controlled interest rates are maintained. It also points to the meaninglessness of the terms structure that has been adopted. Perhaps one could justify different rates prevailing in the controlled and free markets if the discrimination were on the basis of some principle, such as catering to the weaker sections of society. But that is not the case.

It is true that in the United States institutions other than banks do not enter the Federal Funds market directly. But there are other markets which deal in very short term funds whose interest rates bear close correspondence to the rates prevailing in the Federal Funds Market. In fact, one of the reasons why institutions like LIC are anxious to get into the call loan market is the imperfect development of the short-term money market.

Thus the controversy over the entry of LIC and UTI into the call loan market is a manifestation of the operation of a free market along with a controlled one and of the unrealistic nature of the level and structure of the controlled interest rates. It is also a symptom of the lack of development of the short-term money market.

Soviet-Japanese Collaboration

Political Railway

AFTER the initial blaze of publicity which they received, the Soviet Union's moves for securing large-scale assistance from Japan for the development of the natural resources of Siberia have got bogged down. This has been the result partly of the inability of the two countries to agree on the volume and terms of Japanese assistance and partly of wider political complications. Among the latter are the ups and downs in Soviet-American relations which have, temporarily at least, clouded the prospect of US credits for the projects, and the Chinese objections to Japan's involvement in the development of Siberia. The Soviet Union and Japan made yet another attempt to sort out differences between them at a meeting in Moscow in March of representatives of the committees set up in the two countries to advance economic co-operation between them.

The six specific projects which are under consideration by the two countries are: (1) development of the Tyumen oilfields; (2) development of natural gas in Southern Yakutia; (3) exploration of oil and gas resources on the continental shelf around Sakhalin; (4) development of coking coal deposits in Southern Yakutia; (5) development of forest resources in the Soviet Far East region; and (6) development of pulp resources in Siberia. Japan's main interest in collaboration lies in the badly-needed natural resources, such as crude oil and coking coal, which it can bargain to get in return for its assistance for the concerned projects. However, what the Soviet Union has been willing to offer has so far fallen short of Japanese demands. On the other hand, the Soviet Union's expectations of Japanese financial assistance have also exceeded what the Japanese have been willing to offer.

Some softening of the Soviet position in both these respects was evident at the Moscow meeting. For instance, the Soviet Union has offered to supply 25 mn tonnes of crude oil annually to Japan over a 20-year period. Similarly, with regard to the Yakutia coking coal project, a memorandum has been signed between the two countries under which the Soviet Union will export 5.5 mn tonnes of coking coal to Japan annually over a 16-year period beginning in 1983. This will be in return for Japanese assistance of $390 mn for the project, which represents considerable scaling down of the initial Soviet request for Japanese aid of the order of $586 mn. Besides, the Soviet Union had earlier insisted that Japan import both ordinary coal as well as coking coal. This insistence has also been dropped now.

These changes reflect the Soviet Union's anxiety to push ahead with the projects. However, a new problem, which is likely to cause much anxiety to the Japanese, appears to have cropped up at the Moscow talks. Originally, it had been proposed to construct an oil pipeline to transport oil from the Tyumen oilfields for shipment to Japan. Now, however, the Soviet Union has proposed the construction of a second Siberian railway line, to the north of the existing one, instead of the oil pipeline. The Soviet Union is pressing for Japanese assistance for the railway line which it wants to complete during its Tenth Five-Year Plan beginning in 1976.

The railway line proposed is not as innocent as it looks. The construction of the railway line will substantially strengthen the Soviet military position in Siberia. And, considering the tension on the Sino-Soviet frontier in Siberia, the Chinese will view such a development with the utmost anxiety. Chinese Deputy Premier Li Hsien-nien, is reported to have already made it very clear to a Japanese delegation visiting Peking recently that the Chinese would take a grave view of any Japanese involvement in a railway project in Siberia.

It seems that while the Soviet Union has made the terms of Japanese collaboration in the Siberian projects economically more attractive to Japan, it has introduced a political element into the deal which can queer the pitch for Japan's relations with China.

Official Secrets Act

The Game of Nations

Lawrence S Lifschultz writes :

TWO young Americans are shortly expected to be brought to the Calcutta City Sessions Court for the first ever trial in India of Westerners charged with spying. Anthony Fletcher and Richard Harcos, both from San Francisco, were arrested over a year ago in Calcutta. They have been charged under sections III and IX of the Official Secrets Act. Both are alleged to have participated in acts with "a purpose prejudicial to the safety or interests" of the state of India. If convicted, they could receive life imprisonment.

Harcos was arrested at four a m on April 26, 1973 in the King George Dock area of Calcutta with scuba diving gear. The same afternoon, his companion, Anthony Fletcher, was arrested from the Waverly Hotel in downtown Calcutta. The King George Dock is classified as a "prohibited area", considered to have military and security importance. Anyone found within such an area without permission is presumed to have been involved in acts prejudicial to the security of the country.

Sources close to the investigation report that the police officers who booked the two Americans following their arrest informed their superiors that they had caught two smugglers. The original suspicion of smuggling turned into a suspicion of spying. Special Branch police in Calcutta soon arrested David Chang, the owner of a Chinese restaurant which was around the corner from where Harcos and Fletcher were staying. They often ate their meals there. The restaurant owner Chang has a brother who is a doctor in San Francisco.

All proceedings about the case are secret under the regulation of the Official Secrets Act. When the trial opens, the prosecution will apparently allege that Harcos and Fletcher, in collaboration with Chang of San Francisco, hatched a conspiracy during October 1972 to carry out subversive acts in India on behalf of some foreign power. The country in question will not be specified nor will it be clearly alleged that the accused are CIA agents.

The attitude of the US Embassy to the case has been one of near indifference, if not calculated silence. Other than a sympathetic Vice-Consul in Calcutta who has visited the prisoners regularly, the US Embassy has not involved itself in the case. The US government has kept its distance because it would like this trial to go on in secret without any publicity or possibility of scandal.

The lawyers defending Fletcher and Harcos have been hampered because of the unique legal restrictions of the Official Secrets Act. A year after the arrest of their clients, they have not been provided with a specific list of charges against the accused nor have they been informed of the findings of the police investigation. Unlike under most laws, where an accused is considered innocent until proven guilty, the presumption of innocence is inverted in cases tried under the Official Secrets Act. Section III, sub-section II of this Act states that "on a prosecution for an offence punishable under this section, it shall not be necessary to show that the accused person was guilty of any particular act ... if no such act is proved against him, he may be convicted if, from the circumstances of the case, it appears that his purpose was prejudicial to the interests and safety of the state". All trials under the Official Secrets Act are held 'in camera'. No outsiders are allowed to witness such trials. Press coverage is, therefore, almost non-existent.

Harcos and Fletcher are being brought to trial, though after more than a year. But in West Bengal alone there are reported to be at least another 60 persons held allegedly for spying for one foreign power or the other (usually Pakistan). Many of them have spent upto seven years in prison without being brought to trial.

LETTER TO EDITOR

"Emergence of Regional Forces"

IN his article "Emergence of Regional Forces" (March 16, p 433) MR has described the Bharatiya Kranti Dal as "essentially a party of Jat Kulaks". Evidently, MR has fallen a victim to the malicious propaganda of Congressmen.

Jats in Uttar Pradesh are a community of small peasants and number only 1.5 per cent of the total population. They are found only in 8 districts in the western parts where they are outnumbered by Muslims, Chamars, Brahmins and Rajputs.

In the coalition Ministry of BKD formed with Congress in 1970, out of 14 BKD State and Cabinet Ministers only two were Jats and out of 11 Ministers in the succeeding Ministry of T N Singh there was only one Jat. In the last General Elections to the UP Assembly, BKD fielded only 15 Jat candidates out of more than 400. Out of about 60 district city committees only 4 are headed by Jats.

As for 'kulaks' I may tell MR that their number in Uttar Pradesh is the lowest in any state in the country. As the report of the Ford Foundation submitted to the Planning Commission in 1963 would show, Zamindari has not been abolished anywhere in India except in Uttar Pradesh. All the land reform measures were initiated and

implemented by the Chairman of our party, Charan Singh, who was Revenue Minister of the state at the time. Unlike in other states no zamindar here was given a right to resume land from his tenants. Further, subtenants and even trespassers were granted permanent rights in the land under their plough. So, the kulaks could not emerge or survive in this state as they have done all over the rest of the country.

BKD has a definite ideology largely based on Gandhian economics. Unable to draw up any accusation against Charan Singh in regard to his ability, character, popularity or record of service, Congressmen have simply resorted to vulgar attacks — *inter alia* characterising Bharatiya Kranti Dal as a casteist party or a party of Jats because Charan Singh was born in that community. In fact, the Congress leadership in this state as also at the Centre is more caste-minded than, perhaps, any other political party in the country.

MAHADEO PRASAD VERMA
President
BKD, UP
Lucknow

CAPITAL VIEW

The Turning Point?

Romesh Thapar

THE handling of the railway agitation and strike, despite the obvious messing around by Minister L N Mishra (christened "soft-head" by a leading daily newspaper!), suggests that the Prime Minister has taken her decision to cry halt to the spreading anarchy. It was certainly a critical decision, requiring a quiet interlude in Srinagar "far from the madding crowd". The future of the government now hangs on how effectively the Left and its unions will be isolated in their attempt to paralyse the government — for that, it is implied, was their objective.

Something of the story is now available. For months, in the coal belt, the CPM has been busy building a "command centre" capable of shutting down sectors of industry by cutting off coal deliveries with the skill of a computer. Indeed, this Marxist centre had become a parallel authority to the Railway Board. Stocks at vital points were down to one-day and two-day supplies, despite the cancellation of passenger trains and the stress on moving goods traffic.

Naturally, these "revolutionary" activities, backed with efforts to build "armouries", received a convenient cover from the agitations of various categories of railway workers, like loco drivers and guards, who had lost confidence in the corrupt central unions, interested only in perks and privileges for union officials and political parties. These agitations created the impression in the country that the railway workers were so incensed with their plight that they were prepared to break the back of the economy.

That there are areas of such intense discontent cannot be denied even by the insensitive among the railway bureaucrats. But the attempt by various radical politicians to exaggerate the strike fever definitely had serious political motivations. A surrender to the blackmail of the leadership of the railway unions would have made nonsense of Indira Gandhi's government and sparked a series of devastating strikes in a number of essential services run by government. With the lack of any political alternative, chaos would certainly have taken over.

It seems clear that careful assessments of the mood of the railway workers suggested that recent concessions, the implementation of the Pay Commissions' recommendations and certain agreements on the anvil had met their most urgent demands. It was apparent that the agitation was being fanned by minority activist groups. However, the talks went on. Only when it was realised that the activists were working for more time to crack the economy was the decision taken to order the arrests of the activists. It was a major decision for Indira Gandhi; the political repercussions will be many.

The crudeness of the operation has been widely criticised — indeed, even by the newspapers. But we have come to expect little else from the system. What matters in the long run is whether the steps taken are effective and based on correct information. First reports suggest that government has broken through. The railway workers have not gone on a rampage. The coal is moving as never before. There have been stoppages here and there, but of no damaging dimensions. It looks as if the incompetence of the GOI compares favourably with the stupidities of the Left.

Of course, it would be tragic if the Railway Minister and his Railway Board are permitted to go to sleep again, the sleep of the cynical, the corrupt, the self-seeking. The railway empire needs a drastic and thorough shaking up — wages, profits, efficiencies, facilities and extensions. It cannot be left in the hands of men only interested in holding jobs, making money and pushing themselves all over the public sector. Competing systems need to be restored in the sprawling mess. Political interference and business pressures must be curbed if profitability is to be restored. The railways must produce a return on the investment. To carry on as at present is to postpone the terrible day of reckoning.

From railways, the speculation has already turned to other areas of government. If Indira Gandhi is going to be the toughy people expect her to be, then naturally action is expected at various neglected points. I wouldn't expect too much too soon. The bunch that rules in Delhi is as confused as the ordinary citizen about what needs doing — and there's no visible desire to take risks with those who might perform. In fact, it is this cold and clammy thought which frightens thinking people about the prospect of the democratic system being abandoned. Will we be ruled by the flatterers and time-servers who now prance around in the corridors of power? Will we be at the receiving end of orders from all manner of flunkeys? Will there be ruthless vendettas against those who do not toe the line?

You would be surprised how many well-meaning people in the Capital wanted the government to get a thrashing for a while from the railway workers. "Only when they are thrashed, do they become human again." A sad commentary on the state of the ruling echelons. But don't feel too sad. Think of the CPI, thrown off the bandwagon, nursing its bruises. All manner of interesting permutations and combinations present themselves — price rise or no price rise.

And the central question remains: what is to be done policy-wise with the new toughness. Indira Gandhi had better begin applying her mind to this.

May 7

Calcutta Diary

A M

MAY DAY is a paid holiday in Calcutta — and in West Bengal. In the afternoon, unending processions of the labouring classes converge on the *maidan*: they are entertained to passionate speeches by the leaders, the brotherhood of the international proletariat is fullthroatedly proclaimed. But something sticks out, something at least mildly uncomfortable. The declaiming leaders all belong to a particular slot. Scan their names: irrespective of whichever Left party they might swear by, each one of the names is high caste, high-breed Hindu. There are may be thirty incarnations of Leftism in West Bengal. None can thrive without being shepherded by upper class Hindu ministrels.

This, it may be argued, is unfair banter, since the malady touches all political parties, and is not specific to the Left. But this precisely is the point. If the Swatantra party is studded with glamour boys and glamour girls from high society, that ought not to constitute any news. A party supposed to defend the interests of feudal elements, filthy capitalists and the rest of the bourgeoisie must in any case be led by the upper class. What baffles is the persistence of the motif even in groups and parties preaching the international brotherhood of the working class and the tenets of violent revolution. One of course can analyse the reasons. Once upon a time, those who form the top echelon of the Left leadership were in the mainstream of the so-called national movement. They are the offsprings of the bourgeoisie, the offsprings of landowning barons. After Independence, the national movement splintered, and they drifted to the left. Their ideology got oriented, but, you cannot rewrite heredity, the class and caste bases were incapable of being altered. Therefore, whether you make fun or do not make fun, there they are, guiding the destiny of Bengal's Left. Now and then, an occasional aberration, the scion of working class family has come to the fore, but by and large, the roster of names straddling the spectrum of Left leadership follows a set pattern. Begin with the Dasguptas and the Lahiris and end with the Mazumdars and the Chatterjees: all impeccable high caste names, either Brahmin, or Vaidya, or Kayastha.

This may not be so unique. Perhaps, if one travels all the way to Maharashtra and Gujarat, the phenomenon will be repeated. In the Bengali milieu, however, a further dimension gets added. High caste Bengali Hindu names are invariably also pristinely feudal names. You hardly have to go very far back. It could be that, barely fifty years ago, either the father or the grandfather of this or that eminent Bengali Left leader was a flourishing landowner in North or East Bengal. The offsprings walked away from their feudal moorings. They walked away from the memory of the attitudes and the mode of life which permeated their early upbringing. But is the transformation altogether total, does not something still linger on? Feudalism, after all, used to sustain itself on feuds. The ego of the lord was the heart of the matter. It was this ego which drove the master to collect more and more fiefs and revenue by squeezing the poor and helpless peasantry or, alternatively, by capturing, through war and litigation, the land of other feudal lords. To dispute, to contest, to join battle, made up the ethos of existence. Intolerance was the credo: *I matter, nobody else does;* only I deserve to survive and prosper, *the rest must either pay obeisance to* me, or be liquidated. The other side of intolerance was jealousy, all-consuming jealousy. He who has come up must be brought down, by hook or by crook. By now, one associates this attitude of petty back biting with drab, petty bourgeois values; this is, without question, feudal legacy, though.

One walks away from one's feudal past; one tries, consciously or otherwise, to declass oneself, but, in the stream of consciousness, something persists. However hard they try, the leaders find it nearly impossible to shed, totally, their heritage, the heritage of egotism. Thereby is unfolded a two-stage tragedy: the parties of the proletariat have not only to be led by quasi-feudal quasi-bourgeois specimens, a much greater calamity, these specimens import into the Left parties some of the fixations and mannerisms that are products of their heritage. Feudalism insists on feuds, it idolises intolerance, it transmogrifies petty jealousy. Take a look at the cross-section of the allegedly revolutionary parties infesting West Bengal. Cannot one say that their major staple is intolerance of each other, envy at the prospect of one of them stealing a march over the other? This bland fact will of course never be admitted. The intolerance will be cloaked in tough ideological jargon. The subjective differences would be given the garb of historically incontrovertible objective differentiation. Ordinary petty bourgeois jealousies would be dressed up in the claptrap of the philosophical line and tactical rationality. The Hegelian process of thesis-antithesis-synthesis would unfold *ad infinitum* in an archetypal Bengali Hindu middle class setting. From the snakepit of intolerance and jealousy, the antithesis would rear its head. But since for long-term survival, the revolutionary groups have *per force* to cling together every time the authorities launch an onslaught, a kind of synthesis would occur; this would soon again give way to a further bout of tension, and a further bout of mutual name-calling, till the announcement of the fire next time. And so on till dawn does not usher in the revolution.

The pattern has stuck, and continues to repeat itself. With all the animosity of the Centre, with all the other indiscretions committed by the different Left parties individually and collectively, the second United Front Government in West Bengal could have survived till this year, and the course of history around these parts could have been substantively different. Even when Ajoy Mukherjee walked out of the Front in February 1970, the Left parties still had a clear, comfortable majority in the state Assembly, and could have carried on. But it was jealousy and hatred and suspicion of one another which turned out to be the determining variable. To keep the United Front going would have been to allow one amongst the Left parties to come to the fore. Who knows, that party, given its superior clout, could soon have swallowed the others. Such a thing could not be permitted to happen; it was better that the Left, the great revolutionary Left, rather ceased to be in government. Talk to each of these parties today. Some of them would assign broader national — and international — considerations for their not agreeing to the continuance of the United Front in 1970. Some others would mention the big party chauvinism developed by one of the partners. Yet others would complain that the rules of the game were not being properly observed by any of the parties. A few would read a tract on how it was necessary, at that juncture, to liquidate the

United Front in order to cleanse the Left of the stench of sterile parliamentarism. Smokescreens are smokescreens. What motivated them was fear — fear that one of the parties might get way ahead of others; fear bred prospective envy: while there was still time, the rest of them must therefore do in that party. They tried to do it in, and therefore the overall Leftist cause, in 1970, and continued to do so till 1972. It is only following March 1972 that the intolerable pressure of external circumstances has forced the revolutionaries to rediscover the good points in one another.

You think the malady is confined only to the conventional Left parties enamoured of the parliamentary path and still encrusted in quasi-feudal quasi-bourgeois ethos? You have a shock coming your way: One has only to refer to the umpteen divisions into which the Naxalite movement is now splintered. Learned theses are still smuggled in and out, from this or that hide-out, from this or that prison; these, which find their way in newspapers and journals, go to great length in explaining how these splinters are consequential to fundamental differences in philosophical attitudes and tactical lines. Are they really? Scratch the surface, behind the facade of earth-shaking tactical lines would emerge the ugly face of commonplace, no-longer-even-feudal-but-essential-crass-petty-bourgeois bickerings. The bickerings could be as much over philosophical visions as over the disposal of funds or who must wangle a trip to China at whose expense. And this despite the fact that, on the individual plane, simultaneously, there is, and has been, magnificant display of courage, devotion to the cause and willingness to suffer.

History is supposed to make pace in this manner alone, through the *deus ex machina* of parties with greater historical relevance determinedly pushing out those whose lines and tactics become obsolete. One would like to believe in the proposition and play along — if only one were sure that the spectre which is haunting the entire Bengal scene is not, to a considerable extent, the spectre of ordinary, garden-variety village feuding.

COMPANIES

Having It Good

Hansavivek

PFIZER complains that it is operating in a situation where prices of end products are controlled by government but not the costs of inputs. The accounts show a slight contraction of margins, but the ratio of gross profit to sales stood at 26.75 per cent against 28.09 per cent in the previous year. And this when profits on sale of pharmaceutical formulations covered by the Drugs (Prices Control) Order were "well below the government ceiling of 15 per cent on their turnover"! The company's operations cover pharmaceuticals, chemicals, nutritional and health-care products and agricultural and animal health items. Net profit were shade lower, but total dividend, already disbursed by way of four interim payments, has been stepped up by a point to 22 per cent. In addition, the board has recommended issue of bonus shares on a one-for-two basis by capitalising Rs 279 lakhs out of the general reserve. It is stated that prices of some of the essential items and packaging materials have shot up and that the uncertain supply position of several important petroleum-based products will upset production schedules. The management hopes that the government will provide the necessary incentives and encouragement to the pharmaceutical industry to enable it to fulfil the Fifth Plan targets.

Pfizer increased exports by 12.5 per cent to about Rs 82 lakhs "with the assistance of the company's associates abroad". It takes pride in that the foreign exchange earnings through exports exceeded dividend remittances during the year. Out of the subscribed capital of Rs 558 lakhs, as much as Rs 420 lakhs is owned by the holding company, Pfizer Corporation of Panama. Equity shares of the value of Rs 292 lakhs comprise gift shares issued by the 23-year-old company from time to time by capitalisation of reserves. One of the contingent liabilities mentioned in the note appended to the accounts is in respect of a guarantee given to FNCB against a term loan of about Rs 14 lakhs given by the bank to the landlords of the company's office premises. There is also an uncalled liability of Rs 28 lakhs in respect of partly paid shares of 'Duchem Laboratories', a wholly-owned subsidiary whose total subscribed capital as at the end of June 1973 was a mere Rs 10,000. This unit has raised additional finance for implementing certain expansion plans. Another note on Pfizer's accounts reveals that the company distributed samples worth over Rs 29 lakhs during the last year. Auditors were paid Rs 34,000 for taxation services, Rs 21,000 for miscellaneous reports and other consultations and Rs 8,945 by way of reimbursement of out of pocket expenses, besides audit fees of Rs 60,000.

INDIAN ALUMINIUM completed construction of one of the two potrooms of the 20,000-tonne additional metal capacity being installed at Belgaum. The second potroom is expected to be finished by mid-1974. Work is also progressing on the related 50,000 tonnes per annum alumina plant, opening of the bauxite deposits at Kasarsada in Maharashtra, extension of the housing colony at Belgaum and additions to ancillary facilities. The total project is scheduled for completion by the end of this year. The estimated capital cost remains at Rs 16.1 crores. The company's applications for industrial licences to increase capacity of the sheet mill at Taloja, to install an extrusion press at the same location and to increase capacity of the Kalwa foil plant are still pending before government, but the management hopes that approvals will be received at an early date. During 1973, Indal's primary metal production was 76,426 tonnes as compared with 78,581 tonnes in the previous year. According to the directors' estimate, power cuts and supply interruptions reduced metal production in 1973 by over 16,000 tonnes. Besides, erratic power supplies led to an "abnormally high" incidence of pot-line failures and had an adverse effect on raw materials consumption, which caused substanital increases in costs. It is pointed out that the company's selling prices were lower than those that existed eight years ago. On the other hand, the effective international prices of aluminium is approximately one-and-a-half times the Indian domestic price. The company's sales were only slightly lower than in the previous year, but margins deteriorated and gross profit declined considerably. Dividend was maintained at 14 per cent, but at the cost of the earnings cover.

CEAT TYRES' licensed capacity has been regularised at 8.5 lakh numbers of automotive tyres and tubes per annum as against the previous capacity of 6.5 lakhs each. The company has also received a 'letter of intent' for effecting expansion of 1.6 lakh automotive tyres and tubes, each, at the Bhandup plant. Estimated to cost Rs 390 lakhs, the expansion will be financed largely out of internal resources and will be completed within 18 months of the receipt of import licence for machinery. Besides, 'letter of intent' has been received for establishing a new undertaking in the Telegana region of Andhra Pradesh for manufacture of 4 lakh automotive tyres and tubes, each, per annum. A project report is being prepared. Meanwhile, there has been some delay in the production schedule of 'off-the-road' tyres. Trial production of these tyres is expected in the last quarter of this year. The bicycle tyre plant at Nasik, which went into trial production in February 1973, could operate only on a single shift basis till the middle of that year on account of the power-cut. It is now operating on three shifts. The product was introduced in the market from October last and has been well received both in India and abroad. As the foreign collaborators' holding in the Indian company's capital exceeds 40 per cent, necessary applications under the Foreign Exchange Regulation Act are being filed with RBI. The company experienced a setback in its operations during 1973. This has been ascribed, among other things, to the go-slow by truck tyre builders from the beginning of the year and an "unjustified" strike from November 12, which continued till March 15 last. Production of automotive tyres and tubes declined to 6.73 lakhs and 6.06 lakhs from 8.29 lakhs and 7.18 lakhs, respectively; but the Nasik plant contributed 62,907 bicycle tyres to the total output. While sales fell by 15 per cent, margins deteriorated sharply and gross profit was more than halved. Even so, dividend was reduced by only a point to 16 per cent which, being payable on a capital enlarged by a bonus issue, demanded Rs 5 lakhs more than in the previous year. Even depleted earnings were adequate to cover the distribution. Export sales were lower at Rs 225 lakhs (Rs 268 lakhs). The expenditure in foreign exchange on import of raw materials, components, spare parts, capital goods, payment of commission, technical expenses and dividends, amounted to Rs 155 lakhs.

ELPRO INTERNATIONAL's profit has stayed at almost the previous year's level despite a 20 per cent rise in sales because of increased costs of raw materials and wages and because provision for royalties had to be made for two years as the government approved the company's application for extension of the technical agreement on high-rated lightning arresters, retrospective from the beginning of 1972. Dividend, lowered by two points to 10 per cent, was just covered. A small portion of the distribution is expected to be exempt from tax. The management expects increasing demand for lightning arresters of higher ratings. A development pro-

The Week's Companies

(Rs in Lakhs)

	Pfizer		Indal		Ceat Tyres		Elpro Int	
	Latest Year 30-11-73	Last Year 30-11-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up capital	558	558	1842	1842	390	334	85	85
Reserves	823	655	2070	2035	569	591	33	32
Borrowings	—	—	3002	3002	291	387	95	79
of which Term borrowings	—	—	2602	2997	176	201	—	5
Gross fixed assets	744	713	8594	7781	1056	948	166	161
Net fixed assets	460	479	5486	5163	650	591	75	77
Investments	3	1	1	1	—	—	—	—
Current liabilities	550	593	1409	1217	543	511	42	49
Current assets	1469	1327	2622	2660	1142	1232	180	168
Stocks	763	742	1605	1705	737	792	120	122
Book debts	516	497	777	676	268	289	60	45
Net sales	2418	2285	4380	4411	2284	2633	292	243
Other income	31	35	60	60	48	60	18	11
Raw material costs	997	929	1114	1070	1543	1669	172	143
Wages	477	448	663	582	245	237	50	38
Interest	2	—	232	234	43	42	11	11
Gross profit (+)/loss(—)	647	642	1033	1270	233	483	30	29
Depreciation provision	59	57	491	432	75	60	10	11
Tax provision	389	385	252	333	68	225	11	9
Net profit(+)/loss(—)	199	200	290	505	90	198	9	9
Development rebate provision	4	3	26	114	14	32	1	1
Transfer to reserves	72	80	10	137	14	109	—	—
Dividend			P 2	2				
Amount	E 123	117	E 252	252	E 62	57	E 8	10
			P6.25	6.25				
Rate (per cent)	E 22	21	E 14	14	E 16	17	E 10	12
Cover (times)	1.59	1.68	1.04	1.54	1.23	2.90	1.00	0.80
Ratios (per cent)								
Gross profit/sales	26.75	28.09	23.59	28.79	10.20	18.34	10.27	11.93
Net profit/capital employed	14.41	16.49	4.19	7.34	7.20	15.09	4.23	4.60
Inventories/sales	31.55	32.47	36.64	38.86	33.29	30.08	41.09	50.20
Wages/sales	19.72	19.60	15.12	13.17	10.73	9.00	17.12	15.64

gramme for a number of new X-ray and related products is under way.

FIRTH (INDIA) STEEL is setting up a new alloy and high-speed steel plant at Nagpur with an annual capacity of 6,000 tonnes of billets in technical and financial collaboration with Firth Brown which has, the oldest and the largest alloy steel plant in the UK. The company is the first in India to employ the new electro slag remelting process which produces billets of high purity and gives 10 to 20 per cent better yield than the conventional processes as well as better forgeability. The steel melting shop is expected to be commissioned by June or July next; the forge shop, rolling mills and ESR plant and other imported equipment will be progressively taken up during the latter half of the year. The company is issuing to the public 30,000 cumulative redeemable preference shares of Rs 100 each, carrying fixed dividend of 9.8 per cent per annum, and 5 lakh equity shares of Rs 10 each to the existing shareholders as 'rights' on a one-for-one basis to raise part of the finance required for the project, estimated to cost Rs 310 lakhs. According to M P Pai, chairman, on completion of the expansion programme the company's turnover should increase to Rs 443 lakhs and pre-tax profit to Rs 95 lakhs from Rs 121 lakhs and Rs 16 lakhs, respectively, in 1972-73. When the Nagpur plant is fully commissioned, the existing Thana unit's production is expected to reach 90 per cent capacity — from the present 40 per cent in the case of high speed steels and 30 per cent in the case of alloy steels. Even on the present low capacity utilisation, the company has been regularly paying 10 per cent on equity. The public issue is managed by IIT.

HES is entering the market on May 14 with with a public issue of Rs 37 lakhs in equity shares of Rs 10 each at par, to raise part of the finance required for its Rs 65-lakh expansion aimed at achieving annual production capacity of 5 lakh alarm clocks, 40,000 8-day 5-jewelled lever movements/clocks, 45,000 B-50 clocks, and 40,000 transistorised battery-powered electric clocks. The last-named two items are new products. Having placed orders for the main items of equipment for manuacture of new products, the company expects to install all machinery by May 1975. Technical collaboration agreements have been entered into with Merkuria Foreign Trade Corporation and Chronotechna, both of Czechoslovakia. Founded in 1949, the company has a good record of earnings and dividends. On a turnover of Rs 135 lakhs, it earned a gross profit of Rs 15 lakhs in 1973, and is paying a dividend of 18 per cent. The management expects the current year's profits to be higher than those of 1973 and to be able to recommend a dividend of "not less than 10 per cent" on the increased capital. The new equity shares will rank for dividend on a proportionate basis from the date of allotment and on the amount paid up on them. The subscription list will close on May 24 or earlier, but not earlier than May 16. The public issue is managed by the Merchant Banking Division of National and Grindlays Bank.

ALLIED STEELS is setting up a 10/12-tonne electric arc furnace with an annual capacity of 18,500 tonnes of steel ingots (12,500 tonnes of mild steel and 3,000 tonnes each of tensile steel and spring steel) at Tatibund near Raipur, a 'backward' area of MP. The company's licensed capacity is actually 50,000 tonnes per annum, which is proposed to be implemented when the second phase of the project is taken up by installing a second 15/17-tonne arc furnace and a twin strand continuous casting machine. The first phase of the project, estimated to cost Rs 134 lakhs, is proposed to be met by share capital of Rs 55 lakhs and medium term loans of Rs 79 lakhs. Production is expected to commence by June next. The company is offering to the public Rs 27 lakhs worth of equity shares of Rs 10 each and Rs 9 lakhs of 9.5 per cent redeemable cumulative preference shares of Rs 100 each, both at par. The rate of dividend on preference shares is proposed to be increased to 9.8 per cent, subject to the consent of the Controller of Capital Issues. The subscription list opens on May 14 and will close on May 24 or earlier, but not earlier than May 18. The company has locational advantages of adequate power supply in MP and proximity to scrap generating centres like Raipur, Bhilai and Jabalpur. According to Viren J Shah, chairman, profit-margins on the company's proposed product-mix are attractive. The public issue is managed by SBI's Merchant Banking Division.

VIKRANT TYRES, a new company, is setting up a project near Mysore for annual production of 4 lakh automotive tyres and tubes each in technical collaboration with Technoexport of Czechoslovakia. The project is estimated to cost Rs 21 crores and is proposed to be financed by share capital (Rs 700 lakhs), institutional loans (Rs 909 lakhs), deferred payments on imported equipment from Czechoslovakia (Rs 408 lakhs), foreign currency loan from West Germany for import of equipment (Rs 74 lakhs), and deferred payment on land (Rs 9 lakhs). The company expects to commence trial production around mid-1975 and commercial output by September 1975. Contracts for import of machinery were entered into with Technoexport well before December last. The company thus qualifies for development rebate on the machinery. Moreover, it is also eligible for various benefits because of location of its factory in an industrially 'backward' area. Tata Consulting Engineers will provide engineering design and other services. The board is headed by M D Shivnanjappa. R B Jesudasen is the managing director.

BLUNDELL EOMITE PAINTS proposes to reduce its non-resident shareholding by one-half with a view to paving the way for obtaining industrial licences for further expansion and for issue of bonus shares, frequently demanded by shareholders. Blundell-Permoglaze Holdings of the UK, which holds 59.44 per cent of the Indian company's equity, has agreed, subject to the approval of the Government of India and RBI, to sell one-half of its holding to the Garware Group. On completion of the share transaction, the board will be expanded to include two more members of Garware family — S B Garware as Vice-Chairman and C B Garware as joint managing director with W H Hulme, the present managing director — in addition to A B Garware who has been on the board for the past few years. N G Bassett Smith will continue as chairman and R L White will also be a vice-chairman. According to Charles C Longstaff, Group Chairman of BPH, these decisions have been taken in the light of the Foreign Exchange Regulation Act and the policy of the Government of India. Up to now it was felt by the board of the holding company that if part of the shareholding was sold to the extent that BEP would cease to be a subsidiary, the former could not give technical and management support and that if such disposal took place through the market, there would be no new significant shareholder coming into the company to take these responsibilities. With Garwares as equal partners, the joint aim, it is claimed, will be to maintain the Indian company's eminent position in the country's paint industry. Exchange of information between Bombay and London will continue and, as before, no royalty or know-how charges will be payable by the Indian company.

Fictitious Cut in Deficit Financing

THE Finance Minister has performed quite a financial feat. He claims to have slashed deficit financing in 1973-74 from the revised estimate of Rs 650 crores to about Rs 320 crores. Such an achievement has been unknown in recent fiscal history. In 1972-73, for instance, the revised estimates put deficit financing at Rs 550 crores but the actual figures, when they became available, showed it at Rs 882 crores. Likewise, in 1971-72 deficit financing went up from the estimate of Rs 385 crores to Rs 519 crores and in 1970-71 from Rs 230 crores to Rs 285 crores.

The unique achievement of a significant reduction in deficit financing in 1973-74 over the revised estimates has been made possible, the Finance Minister has claimed, by economy measures and control of expenditure. In the Finance Minister's Budget Speech only two months ago there was not even a hint that was going to be contained in this fashion. The Finance Minister had then said: "Despite all these efforts, the year-end deficit will be of the order of Rs 650 crores. We are deeply concerned about the deleterious effects of deficit financing. But no government can overlook its obligation to alleviate the hardships and sufferings of the large sections of the people. It is this obligation that has rendered a large deficit inescapable." Is the implication then that the government has now decided to give the go-by to this obligation? Not, of course, that there is that kind of close correspondence between the alleviation of "the hardships and sufferings of the large sections of the people" and the level of government expenditure. For instance, it is questionable, to say the least, that a larger food subsidy consequent on a thumping increase in the price paid to rich farmers for government purchases of foodgrains is a contribution to alleviating the hardships and sufferings of the mass of the people.

The Finance Minister has been, on the whole, less than frank about the actual reasons for the decline in the budgetary deficit. The decline is partly fictitious and partly fortuitous. There appears to have been a windfall gain of around Rs 135 crores from foreign assistance from two sources: Rs 61 crores of compensatory finance for export fluctuations from the IMF and Rs 75 crores by way of a special credit from the UK. The fictitious character of the decline in the deficit arises from the likelihood that sizeable disbursements due in the year 1973-74 were deliberately postponed beyond March 31 so as to show a reduced volume of deficit financing. It is also possible that the government has funded *ad hoc* Treasury Bills into dated securities in excess of the amount of Rs 100 crores, though indirect evidence shows that this is unlikely to have taken place.

Conjectures and Surmises

Discussion of the subject of the government's deficit has necessarily to be based on conjectures and surmises because neither the government nor the Reserve Bank publishes periodic data on the government deficit. The monetary data of the Reserve Bank give information on its net credit to the government which covers the budgetary deficit (Treasury Bills and drawing down of government balances) plus changes in the Reserve Bank's holdings of dated securities and loans and overdrafts to state governments. The amount of net Reserve Bank credit to government had risen continuously in the financial year 1973-74 upto February 15, 1974 when it had stood at Rs 843 crores (against Rs 636 crores in the corresponding period of 1972-73 — a year in which the budgetary deficit eventually crossed Rs 880 crores). Subsequently, the figure declined to Rs 762 crores by March 29, or by about Rs 80 crores. Between February 15 and March 29, loans and advances to state governments went up by about Rs 80 crores from Rs 157 crores to Rs 238 crores. (Incidentally, at that level, overdrafts to state governments must have been about Rs 100 crores despite the formal ban on them.) The decline in net Reserve Bank credit to the Central Government must, therefore, have been about Rs 160 crores. During the same period, the net foreign exchange asset of the RBI rose by Rs 128 crores from Rs 531 crores to Rs 659 crores, largely as a result of the two loans mentioned above. We find government deposits with the Reserve Bank rising from Rs 59 crores on February 15 to Rs 160 crores on March 29, which is most unusual for the fag end of the financial year. But for the foreign assistance, the government's deficit would have been higher by at least Rs 136 crores.

It is also unusual that in the last week of the financial year (when normally substantial disbursements take place) there should have been repayment of government debt to the Reserve Bank of the order of Rs 60 crores. In the same week, the Reserve Bank's loans and advances to state governments went up by Rs 60 crores so that the decline in credit to the Central government was around Rs 120 crores in a single week. In the corresponding week of 1972-73, Reserve Bank credit to the Central government had gone up by about Rs 80 crores. To complete the picture, in the very first week of the current financial year, Reserve Bank credit of the Central government went up by as much as Rs 190 crores. (The rise was just Rs 4 crores in the corresponding week of April 1973.) It is obvious that there was an unusual rush of government disbursements in the first week of the current fiscal year. Is it not reasonable to presume that a large part of these disbursements were payments deliberately put off to the current financial year so as to show a lower deficit for last year?

There is evidence to show that financial transfers from the Central government to the state governments were also postponed in this manner. The state governments' borrowings from the Reserve Bank rose by about Rs 60 crores in the last week of March and have continued to rise since then. On April 19 they stood at Rs 274 crores. Delayed disbursements of loans committed by the Central government appears to have been a major reason for this. The recent instances of Kerala and Karnataka, to whom the Reserve Bank refused payment because they had exceeded their overdraft limits, confirm this possibility. Both states, and Karnataka in particular, have complained that loans promised by the Centre have not been forthcoming.

What does the government hope to achieve by these accounting manipulations? Does it thereby hope to convince its domestic critics that it has at last woken up to the need to do something about the raging inflation? Or is the whole exercise intended for the benefit of the IMF to prepare the way for further borrowings from it? Certainly, from the point of view of the economy itself, the supposed cut of Rs 330 crores in the budgetary deficit is of significance at all.

Ours is a magnificent Land-2

I was born unwelcome
into an overcrowded land.
But I have shared
my home with
the exiled.

I exist in a village
imprisoned by my fields.
But in quest of my spices
man discovered a globe.

I adorn my emaciation
with the tatters of penury.
But I have gifted the world
the luxury of fine muslin.

My cookfires I light
with the dung of cattle.
But I have taught man the
abstraction of algebra.

I grew up untutored,
unmusic'd and unsung.
But my syncopated sitar
has driven nations to frenzy.

I am surrounded by children
with malnourished minds.
But I have given man
his first philosophy.

I craft shoes that shod
three whole continents.
But I have just begun
to stand on my own bare feet.

I am named by many names
in a babel of tongues.
But I have adopted a name
by strangers given: India

I am sad.
But I am glad.
I am.



Dyes
Plastics
Intermediates
Refrigerants
Chemicals

Ours is a magnificent land. We must build a magnificent future. Think Ahead.

Hoechst
Dyes & Chemicals Limited

AIYARS-HDC. 220B

'Izvestia' Can, but Can the CPI?

THERE are legions of dedicated men left in the Communist Party of India. One may differ with them, disagree with their analysis of the domestic and international situation, yet it would be foolish to question either their sincerity or their devotion to the cause. The dilemma tormenting them must also be genuine. Politics is for the capture of power. A party dedicated to further the prospects of the working class owes it to itself to be as much interested in capturing power as any other. For the Communist Party of India, developments in the country since 1969 have been a godsend, since these have forced Indira Gandhi to come closer to it. She has been compelled to offer sustenance to the CPI in Kerala and form a government in that state in alliance with the party. She has had to agree to combine with the CPI in West Bengal in order to contain and overwhelm the CPM. There was a brief period, in the afterglow of the Bangladesh war, when she could have dispensed with the services of Ajoy Bhavan. But the worsening economic situation had her once more scurrying for the CPI's support. In both Uttar Pradesh and Orissa, she leaned considerably on the communists for putting down the right-wing challenge in the recent elections.

Touch-and-Go

From all accounts, a sharp decline in her personal popularity has taken place over the past few months. About the image of her party and those mainly constituting the top echelon of its leadership, the less said the better. Somehow it is back to the days of the middle 1960s when the Congress was synonymous with corruption, greed and lack of scruples. It has been reduced to a shambles in Gujarat, its position in Bihar is hardly better. Given the spiralling prices, rampant nepotism and a slide-back from many of the populist measures announced to the world with such fanfare four or five years ago, the position of the party is indeed touch-and-go. It might still continue to win elections for want of a credible, coherent opposition and also because the electoral process itself has been considerably vitiated. Even so, come each election season, the party cannot have the confidence that it would win in any case. But a party based on the system of spoils cannot afford to lose elections either, since that would demolish its *raison d'etre.*

The dilemma confronting the Communist Party of India is obvious. It may not like many of those who today occupy pivotal slots in the Congress. It may have begun to dislike immensely Indira Gandhi's recent shifts in policy. Yet it has little options open to it, given the fact that it has already won, because of its understanding with the Prime Minister, a certain position of vantage for itself in the polity. Despite the considerable erosion of her popular image, Indira Gandhi remains the biggest vote-getter. It might thus be considered most unwise on the part of the CPI to ditch the Prime Minister, and thus surrender its present advantage which could assist it to be even formally entrenched in power by, say, 1976. A fair enough calculation for the CPI could be that in view of the substantial shrinkage in the Congress party's mass base and the Prime Minister's stature, it would be impossible for her to manage a victory in the next Lok Sabha elections without sizeable outside support. In Tamil Nadu, Indira Gandhi might decide to seek such support from K Kamaraj, but, elsewhere in the country the CPI might assure itself, it is the only worthwhile political grouping alliance which could offer the Prime Minister's party more than a fair chance of victory.

If this is the analysis that prevails, the CPI would then regard it altogether foolhardy to alienate Indira Gandhi. It can fulminate at the fact that the big monopoly houses have once more begun to flex their muscles in the industrial sector; it can be annoyed no end that massive aid from Western sources is once more on the agenda for survival; it can weep over the fact that the idea of nationalisation of trade has received a major set-back. But these expressions of anger and unhappiness have to be tempered by the other, overriding judgment, namely, that if only the CPI could put up with some of these irritants for the next twenty months or thereabouts, it might succeed in its objective of being formally a part of the government process in the country. The theory of the national democratic revolution would then be vindicated wholesale; once in power, the problems arising out of the reversal of populist policies which has taken place in recent months could be duly taken care of.

But suppose things do not move in terms of the CPI's well laid-out plan; suppose Indira Gandhi reasons that evolving political alliances should be in conformity to the evolution of policies? Since the drift in policy is increasingly toward calling back the blithe spirit of free enterprise, the Congress could come round to considering it more advantageous to forge, simultaneously, political understanding with parties which believe in the sanctity of private property and initiative, as that would reduce many of the tensions attendant on a hiatus between the pursuit of policy and the pursuit of political alliances. After all, a major chunk of the Congress(O) has by now as good as agreed to merge its identity with the Prime Minister's party. Most of the industrialists, traders and big farmers, who five years ago had gathered under the unmbrella of the Swatantra party, are now back in the Congress fold: Piloo Mody, for one, has gone on record in Parliament fulsomely approving the government's new food policy.

Logical Culmination

The logical culmination of a rightward realignment of policy should be a similar realignment in the choice of friends as well as enemies. At the practical level, this will merely imply that some of the less wild men in such parties as Jan Sangh and the BKD would have to be won over by the Prime Minister. This is not perhaps a totally impossible feat. Personalities apart, there is little in the Congress plank which the BKD supporters can object to following the reversal of the policy on the take-over of trade. Atal Behari Vajpayee has many friends already in the Congress; with certain carefully worked out modulations in attitude, it might be entirely possible for the Prime Minister to neutralise him and those of his ilk. Both Atal Behari Vajpayee and Sheikh Abdullah could then come to co-exist with a party which believes in respecting the sentiments of religious and linguistic minorities, offering farmers proper incentives, protecting the small traders, subsidising, within the limits set by available means, those consumers who are weak and poor, building a nuclear bomb, and maintaining a free-wheeling foreign policy, which however underwrites a state of permanent hostility toward China. In fact, as long as the anti-China stance is adequately spelled out, and the option to seek occasional counsel and arms from Moscow is firmly reiterated, even the Soviet Union might find it difficult to run down such a regime, whatever the content of its

domestic policy. The five principles of co-existence lay great stress on non-interference in other people's affairs, and instances are altogether too many of both the Soviet Union and China winking at out-and-out retrograde domestic policies of a government which has nonetheless offered the one or the other of them a certain measure of support in the sphere of international relations.

The Prime Minister might well conclude that, in electoral terms, what she might lose on the CPI swings would be more than regained on the Swatantra-Vajpayee-Patnaik-BKD roundabouts. Can any activist of the CPI deny that such a possibility of a total drift toward the right does exist, or that, once the Prime Minister has made up her mind in the matter, the capacity of Ajoy Bhavan to prevent her from going the whole hog is limited?

Irrespective of a total turn-around in Indira Gandhi's domestic policies, the Government of the Soviet Union, for its own reasons, might still continue to offer her support. Even were the CPI to decide to sever its links with the Congress, the Soviet Union would thus still continue along its present course and shore up Indira Gandhi's regime. In other words, till as long as the compulsions of its foreign policy are satisfied, the Soviet Union might like to keep its options open. It is a matter of some irony that, at about the same time, the CPI nonetheless would be under the compulsion to close its own options, seemingly all because of the odd chance of sharing power from 1976 onward.

Distant Thunder

Is the moral problem resolved thereby? Suppose 1976 arrives, but power eludes the CPI. Would the sacrifices in the present period be worth it in retrospect? *Izvestia* is a distant thunder: it can continue to tell its readers that the current wave of unrest in India is entirely on account of the machinations of certain right-wing groups, who in their turn are also utilising 'ultra-leftist Maoist groups' for inciting religious and tribal feuds. This could be tongue-in-cheek, but *Izvestia* can afford to keep repeating its own make-believe that the main target of the onslaughts mounted by the Indian opposition parties is "the domestic policy of the Indian National Congress, which is working to restrict big private business and boost the government sector". What is involved here is both an aspect of logical positivism and what Marxists call the objective reality. *Izvestia*, which is printed several thousand miles away, can afford to define either in its own manner, but can the CPI? *Izvestia* can go on to comment that the right-wing parties have been responsibile for "serious provocations" in Uttar Pradesh, Gujarat and Bihar; it can, with exemplary delicacy, hint that these provocations have "entailed human casualties"; it does not have to spell out what hands have triggered the bullets which have led to these "human casualties", but can the CPI? Where there is tremendous welled-up discontent among the people, and the so-called Left parties, such as the CPI, default in mobilising it, channelling it and vocalising it, the right-wing parties are bound to fill in the vacuum. The happenstance that it is the right-wing elements which are organising the mass discontent in many places does not make an un-fact of the fact of discontent.

MAHARASHTRA

Broken Statue, Smashed Heads, Burnt Shops

Anil Awachat

PHALTAN, a taluka headquarter town in Satara district, is sixty miles from Poona. April 14, Ambedkar's birth anniversary, saw a violent attack by caste Hindus on the Scheduled Castes here. Satara district is the backbone of Western Maharashtra. It is also the centre of Maratha power. Because of this, the Phaltan incident has attracted a lot of attention.

Prosperous Area

Once a princely state, Phaltan has a population of about 25,000. Sugarcane cultivation, made possible by irrigation water from the Vir Dam, has made it an agriculturally prosperous area. There are two sugar factories here: the Shreeram Co-operative Sugar Factory and the privately-owned Phaltan Sugar Factory. Grape-farming too has caught on and fetches handsome returns.

Phaltan has a population of about 7,000 Scheduled Castes, mainly Buddhists. Among the other Scheduled Castes are Vadars, Faseparadhis, Matangs, Chamars, Beldars and Makadwales. The Scheduled Castes live in the Mangalwar Peth area of Phaltan. There is not a single primary school for the population of 7,000 Scheduled Castes. All the houses in Mangalwar Peth are in a dilapidated condition and the narrow alleys make movement difficult. Except for 2 or 3 tubelights at the approach to the locality, there is not a single municipal street light in the area.

According to information collected by Shankarrao Kakade, a local Republican Party leader, the majority of the industries and offices in the area do not employ a single Scheduled Caste. At best, some backward caste Hindus, such as Telis, Dhangars and Malis, find employment in them.

With virtually no employment opportunites, the Scheduled Caste young men of the locality are forced to turn to petty crime. A big gang of pickpockets operates in the area. Schools for pickpockets are run openly in Mangalwar Peth. Recently, a CID constable himself was relieved of Rs 1,800, though the amount was restored to him within a few hours — thanks to the 'hafta' relations which the police have with the pickpockets.

A concrete road divides Mangalwar Peth from the main city. This road has become the hang-out of the unemployed youth and the local toughs. Across the street is Raviwar Peth, where the caste Hindus live.

Marathas Dominant

Marathas are dominant among the caste Hindus. Among the Marathas the Nimbalkars constitute the aristocracy. Malojirao Naik Nimbalkar, now an octogenarian, is a former ruler of the princely state of Phaltan. He was also an ex-minister in the erstwhile Bombay state. For all that, the Nimbalkars do not accept Malojirao as their leader, because he was born into a Ranvane family and had been adopted into the Nimbalkar royal family. The Nimbalkars recognise one Hindurao Nimbalkar as their leader. Hindurao is a young man in his thirties. He does not belong to any party, but has a youth organisation of his own called the Yuvak Dal.

Next in importance to the Marathas among the caste Hindus come the Dhangars. Their deity, Khandolsa, is at Vejuri, very near Phaltan. The Dhangars are mostly rich and middle peasants. But since they enjoyed no political position during the period of Maratha rule, rivalry between the Marathas and Dhangars is traditional. Both castes are, however, equally oppressive towards the Scheduled Castes.

The Dhangar-Khatiks are a sub-caste of the Dhangars. They are butchers, though they like to describe themselves as Kshatriya-Marathas. Fights between the Dhangar-Khatiks and the Buddhists are a regular feature.

There are two relatively prosperous restaurants on the road dividing Mangalwar Peth from the rest of the town. One of these is called 'Visawa' and is owned by a person from Malabar and the other is 'Sarta', owned by Jaya Shetty from Udipi in Karnataka. Each of them shelters a gang. Habib is the leader of the gang under the protection of 'Visawa'. The other gang is led by Shyam Sargar, a Dhangar-Khatik. Both the gangs belong to the Raviwar Peth gymnasium, the patron of which is Hindurao Nimbalkar.

These gangs have been involved in many skirmishes with the Buddhist youth. On last October 25 a Buddhist young man asked a Khatik youth for a match to light a bidi. The Khatik took this as an insult. The result was a fight in which iron chains, bars and kuradis were freely used. There have been one or two more fights since. But what happened on Ambedkar Jayanti was much more than just a skirmish.

*

Actually, a fight might have taken place on that day between two groups of Buddhists — followers of the Republican Party and young men who are opposed to them. The latter are led by Scheduled Caste leaders in the Congress, chiefly G B Mane, an advocate and a supporter of the Maharashtra Social Welfare Minister, Rupawate. There were attempts to bring all the Buddhists together to take out one procession on Ambedkar Jayanti, but the attempt failed as the followers of the Republican Party insisted on the procession carrying their party flag.

The first procession was that of the Buddhist youth. It garlanded the statues of Shivaji, Gandhi, Ambedkar and Phule. It was followed by the Republican party procession. Gandhi's statue is on a ten-feet high pedestal. Lacking a ladder, people from the Republican Party procession climbed one on another to garland the statue. But just as a young man was garlanding the statue, there was a strong gust of wind, as a result of which the youth lost his balance and the human pyramid under him collapsed. To save himself from falling the youth clutched at the stick in Gandhi's hand, wrenching the hand along with the stick from the statue. Eye-witnesses to the incident, including a journalist, confirm that it was all an accident.

Leaders of the procession informed the Pranth Officer and the police of the accident and expressed their regret. The band at the head of the procession stopped playing after the accident. But soon this procession met the other procession of Buddhist youth. There was an exchange of angry words over the accident and there were some fist fights. The Buddhist youth brought down the Republican flag and tore it. Then both processions dispersed. All this took place around 6.30 in the evening.

Later, around 8 p m, Shyam Sargar and Habib with members of their respective gangs managed to get the broken arm from Gandhi's statue from the mayor's residence and took it out in a procession. They were shouting slogans such as 'Heads for Hand' and 'Burn Maharwada'. They approached former freedom fighters and people wearing khadi saying. "Don't you feel ashamed? These Mahars have broken your Father's arm". Pranth Officer Anand Bhadkamkar halted the procession and talked to the people persuasively. Both as soon as he went away, the procession reassembled and proceeded threateningly towards the Buddhist locality.

Systematic Attack

The Buddhists were unaware of these developments. The processionists entered the Buddhist locality, bolted some huts from outside and set fire to them, trapping the inmates inside them. A blind person tried to ecape by running through the flames. His brother-in-law rushed to rescue him but was pushed into the fire. He suffered burns. Six or seven huts in a row were set on fire. There were sick persons and children and infants in these huts.

By now the Buddhist youth had started stone-throwing in retaliation. Women and children of the basti were sent across the canal behind the basti. The fierce stone-throwing by the Buddhist youth forced the caste Hindu attackers to withdraw. The crowd, however, proceeded to the town area where they launched a systematic attack on the few shops belonging to Buddhists. In all, 13 shops were burnt. Shops owned by Buddhists were singled out and set on fire. In one case, between two shops owned by Buddhists there were five others owned by Chamars but they were not touched. In the main market, two of the 25 shops belonged to Buddhists; the caste Hindu shopowners identified these shops for the benefit of the crowd. The Buddhist owners of the shops, who were sleeping inside the shops, were pushed out and beaten up. The merchandise from the shops was thrown out and the shops set on fire.

The mob then moved to the residence of Krishnachandra Bhoite, a Congress legislator. This action appears to have been influenced by the leader of a faction within the Congress which is opposed to Bhoite.

As all this went on, there were only 12 policemen in Phaltan. The sub-inspector was not available. At 8.15 p m a message was sent to Satara, the district headquarter, some 40 miles away. The police force from Satara, however, took three and half hours to arrive. It reached Phaltan at quarter to twelve. When it arrived, the crowd threw stones at it and a police driver was hurt. However, the policemen managed to disperse the mob after a lathi charge.

Meanwhile, between 7.30 p m and 12 in the night, the Pranth Officer had been trying to calm the mob. In the attempt, he was beaten up by the crowd of caste Hindus. He was also caught in the stone-throwing while trying to reach the Scheduled Caste basti. Later in the night, when the police arrived, he received some lathi blows before his identity was established.

Next day a Peace Committee was formed and 50 kgs of foodgrains and Rs 350 were distributed to every family which had suffered in the riots. The Chief Minister donated Rs 10,000 from the Chief Minister's Fund.

*

Why did an accidental happening like the breaking of the Gandhi statue lead to the organised attack by the caste Hindus on the Buddhists?

Members of the Mahar community in Maharashtra have moved to towns and cities in large numbers on becoming Buddhists. In the towns and cities, their bastis are segregated. Given the lack of jobs and the limited opportunities for going into business, trade, etc, lumpen tendencies have been on the

increase among the Buddhist population in the towns and cities. The established gangs of caste Hindus find this a challenge to their position and activities.

This is the major reason for the tension between caste Hindus and Buddhists in Phaltan. Given their ruling class past and their economic prosperity, stemming from irrigated sugarcane farming, the Marathas are an arrogant, aggressive lot. They cannot brook the challenge posed to them by the Buddhist gangs. However, being powerful and rich, the Marathas use the Dhangar-Khatiks, who deem it a privilege to be called Kshatriya-Marathas, against the Buddhists.

Similar situations obtain elsewhere in Maharashtra as well. Two years ago, there had been an organised boycott of Buddhists in Bawda in Poona district. There are some similarities between that incident and the recent one at Phaltan. Both are agriculturally prosperous areas of irrigated sugarcane farming. In both, there is a relatively large population of Buddhists. In both places the Buddhists pose a challenge to the dominant community. Bawda being a village, the Buddhists are mainly agricultural labourers. So the element of organised gang violence is less there. In a place like Phaltan, however, the acute unemployment has resulted in the organisation of the Buddhists into gangs and the confrontation between them and gangs of caste Hindus.

Enterprising Community

The pattern of burning of shops in Phaltan shows that the caste Hindus' anger was directed only at the Buddhists. Shops owned by Chamars were not touched. One such shop accidentally caught fire, but the crowd itself put out the fire by throwing water. The Mangalwar Peth basti comprises Vadars, Faseparadhis, Makadwales, Chamars, Matangs and Beldars, besides Buddhists. But not one hut belonging to these other castes was attacked by the mob. The Vadars live near the beginning of the basti, but the mob passed them by to get to the Buddhist area.

Among the Mahars those who had made some progress in business had their businesses wiped out in the riot. Mahars are a relatively enterprising community. A few years ago a Buddhist had returned to Phaltan after learning tailoring. His tailoring business progressed well in Phaltan. He also taught tailoring to other Buddhist youth who in turn opened their own shops. All these shops were wiped out in the recent riot. A shop owned by a Shimpi (tailor caste) was also ransacked because he employed Buddhists. An 18-year old Buddhist girl, Kanta Kakade, had opened a tailoring shop with Rs 1,000 borrowed from a bank. She did well and paid off the loan. Later she took another loan of Rs 2,000 to buy two more machines. Now her shop has been reduced to ashes.

Politics does not appear to have been an important element in the riot in Phaltan. In Bawda, which is a reserved constituency, the Maratha leaders of the Congress had insisted that the choice of the Buddhist candidate to contest the election should be left to them. But, without paying any heed to them, a Buddhist had filed his nomination. This is what had led to the boycott referred to above. In Phaltan, however, the Buddhists do not yet seem to be challenging the Marathas on the political plane.

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LAND REFORM

When, How and By Whom?

M R

A REAPPRAISAL of the CPI(M)'s stand on land reform is reflected in General Secretary Hare Krishna Konar's report to the 22nd session of the All-India Kisan Sabha at Sikar in Rajasthan in the second week of April. Basic land reform — that is, total abolition of landlordism and not palliatives like marginal improvements in existing land reform legislation — is to be the central slogan of the All-India Kisan Sabha. This is an issue on which there have been differences in the CPI(M) since 1966.

Konar's report is a sequel to the resolution on 'Certain Agrarian Issues' passed by the CPI(M) Central Committee in March 1973 to concretise the party's 1966 document, 'Tasks on the Kisan Front'. Until the 1973 resolution there were differences within the party on issues such as land ceilings, rights of tenants-at-will *vis-a-vis* non-cultivating tenants, agricultural labourers' struggles for land and wages, use of tractors and mechanisation in general and, finally, land reform legislation — and, in this context, the relation between immediate demands and programmatic demands. That the 1973 resolution did not resolve all these differences can be seen from General Secretary P Sundarayya's explanatory note on the resolution. For instance, before the 1973 resolution, the party had been maintaining that only surplus land, over and above the ceilings, would be taken over. But the 1973 resolution sought to underline that landlords who did not physically cultivate their lands would have no right to retain even land within the ceiling. If such a landlord had no other means of livelihood he might be given some rehabilitation grant, but his entitlement to land would be taken away. This is crucial to the party's intention to draw a line between the landlord and the rich peasant. Rich peasants are different from landlords, in that they or members of their families physically participate in the main agricultural operations.

The differences within the CPI(M) here were on the attitude to be adopted to the rich peasant class. Once the ceiling limit is accepted as the demarcating line, a section of the rich peasantry, however small, is likely to be affected and a certain amount of land belonging to the rich peasants might be taken away for distribution. Some argued that this would adversely affect the attitude among the whole rich peasantry — spreading to the middle peasantry — towards the strategic people's democratic front which the party wants to construct. According to the party's programme, the rich peasant is an ally and, therefore, nothing should be done to touch even a small section of the rich peasantry. Therefore, the target of attack would have to be unmanageably widened. The party would thus limit itself to saying, in general terms, that it stood for abolishing landlordism. The CPI(M) is thus committed to the position that land ceilings legislation should be such as would not affect the rich peasant "as a class". And Konar's report is based on this commitment.

Konar notes that, in the past, the All-India Kisan Sabha — the rural arm of the CPI(M) — worked within the framework of ceiling laws enacted by the Congress government and did not demand complete abolition of all forms of landlordism. The party's position is that the Indian agrarian situation today is feudal — and semi-feudal, where capitalist exploitation is superimposed on the old feudal system. For this reason, the target of attack has to be landlordism, feudal or capitalist.

The main points of the All-India Kisan Sabha's stand, as spelt out in Konar's report, are:

Basic land reforms signifying total abolition of landlordism, both feudal and capitalist;

Distinction between non-cultivating small owners with a few acres and landlords: small owners owning upto half of the rich peasants' holdings may retain their holdings subject to the tenants' security and reasonable rent.

Konar's report again raises the central practical question: when, how and by whom is this basic land reform to be implemented? Certainly not by the bourgeois landlord government. And any attempt by the peasant movement to implement a basic agrarian programme of this kind will be opposed by the ruling classes. Konar says: "The basic solutions can be carried out in practice only when the revolutionary agrarian movement develops in necessary strength to enforce them, and the final successful completion can be achieved only when the present state is replaced by a people's democratic state.

While the CPI(M)'s disenchantment with partial land reforms of the Congress variety is obvious, it is far from certain that the party will opt out of the parliamentary system sufficiently to be able to organise the required extra-parliamentary agitation. Its emphasis on participation in the system while claiming to believe in extra-parliamentary methods of struggle leaves unresolved within the party the larger issue of the feasibility of peaceful transition.

TAMIL NADU

Grim Power Prospects

DRASTIC power cuts in the summer months have by now become a hardy annual in Tamil Nadu. The stoppages, frequent interruptions, trippings and voltage fluctuations are indicative of the basic disequilibrium between supply and demand. The state faced a severe drought in 1972-73 which affected hydel storage. As a result, a power cut of 75 per cent was in operation for most part of the year. The situation improved markedly from June 1973 with a merciful south-west monsoon. The government was able to lift all curbs on power consumption on July 17, 1973. But restrictions had to be reintroduced soon, although in a milder form. Effective from October 1, 1973 a 15 per cent power cut was enforced and from April 1 this year the cut has been enhanced to 30 per cent on both high-tension and low-tension services. The cut in respect of essential services such as railways, hospitals, water supply, etc, which was 10 per cent has been raised to 15 per cent. There is no guarantee that the cut will not be further enhanced since non-availability of coal, difficulties in movement of available supplies, uncertainties in regard to recommissioning of one of the sick generators at Ennore, etc, have been, one after the other, upsetting the calculations of the State Electricity Board.

The demand for power in Tamil

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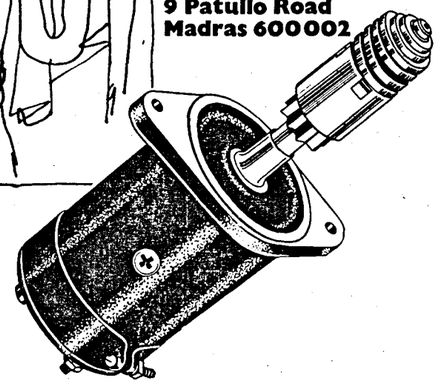
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Nadu has far outstripped the increase in generating capacity. At the beginning of the first Plan the demand was only 110 MW, but currently it is estimated to be in the region of 1,500 MW and by 1980-81 it is expected to touch 3,820 MW. To meet demand of this order an effective capacity of 4,590 MW would be required by 1980-81. But available capacity, both from existing power houses and those under construction, is expected to be only 2,040 MW. There is thus a huge deficit of 2,550 MW which will have to be bridged by the installation of additional capacity and large-scale purchases from neighbouring states. The scope for the latter is not bright since none of these states is likely to have a surplus, given the rise in their own demand for power.

Out of an estimated hydro-electric potential of about 3,500 MW in Tamil Nadu, over 1,200 MW has already been harnessed. The balance can be tapped only with the co-operation of neighbouring states. Tamil Nadu, therefore, has to rely on thermal sources in the short run. But progress on this front has been far from satisfactory. The 600 MW capacity at the Neyveli power station is languishing because of insufficient lignite output and currently the plant is feeding only 180 MW into the grid. Ageing of machinery and failure to take timely action for replacement are responsible for the poor raisings of lignite at Neyveli. The next important thermal station at Ennore has an aggregate capacity of 340 MW. Supplies from this source are now placed at 150 MW and have been highly erratic. The four plants at Ennore have never worked simultaneously for many months and at one stage only one 60 MW plant was in operation. Even if all the plants are ready for operation by May, as the government claims they will be, the uncertainties on the coal front and the threat of the Railway strike mar the prospects of early utilisation of full capacity at Ennore.

It is widely accepted that more coal-fired power stations are not feasible in Tamil Nadu for the simple reason that coal has to be transported at exorbitant cost from distant places. A 110 MW station requires for its operation about 1,800 tons of coal per day or a minimum of two train-loads which, in the context of the wagon shortage and the railway capacity, cannot be counted upon.

A second mine-cut at Neyveli with a generating station of 800/1,000 MW capacity has been suggested as a solution to the state's power problem. The Central government is yet to clear this proposal. Apparently the experience of lignite raisings at Neyveli so far has caused reservations about the scheme.

This leaves only one alternative, *viz*, atomic energy. The Kalpakkam atomic project is under construction and when completed will have two units of 235 MW capacity each. The State Planning Commission has suggested the setting up of another nuclear station of 1,000 MW capacity at Madurai.

The power shortage has also been aggravated by pilferages and line losses. It is generally accepted that around 6,000-7,000 Kwh would be a fair annual generation out of every kW of capacity installed. As against this the average generation in Tamil Nadu, as also the rest of the country, is well under 4,000 Kwh. This suggests that while providing for additional generating capacity, allowance has to be made for 18-20 per cent pilferage and transmission losses.

Demand for electricity has been rising steadily in Tamil Nadu at an estimated 12 per cent per annum. Currently above 50 per cent of the total demand is from industry, 30 per cent from agriculture and 20 per cent from the rest. All the villages in Tamil Nadu have been electrified and 6.5 lakh wells out of 12 lakh wells are energised. Per capita consumption of electricity is the highest in this state. From 12 units at the end of March 1951, per capita consumption rose to 21 units by March 1956, 60 units by March 1961, 92 units by March 1966, 123 units by March 1971 and further to 133 units by March 1972. The national average is only around 90 units. Consumption of electricity by agriculture is also the highest in Tamil Nadu. This is understandable. The surface water potential in the state being very limited, ground water has to be exploited in a big way. Agriculturists have been encouraged to use power by the state government's policy of supplying power to them at a subsidy. As against a cost of supply of energy on low tension of 23 paise per unit, the agricultural tariff is 11.2 paise. The cost of high tension power, on the other hand, is 8 paise but the average tariff for industrial consumption was 17 paise in 1972-73.

A second mine-cut at Neyveli, a sizeable reduction in pilferage and line losses and expansion of atomic power alone will help overcome the power shortage in Tamil Nadu.

SAIGON

A Year after the Paris Agreement

Harish Chandola

IN the middle of April, the Saigon administration of President Thieu has unilaterally taken certain measures which seriously threaten the implementation of the January 1973 Paris Agreement on Vietnam.

The Saigon administration suspended for an indefinite period the consultative conference between the two South Vietnamese parties — *viz*, the Provisional Revolutionary Government (PRG) of the Republic of South Vietnam and the Saigon administration — which was under way in Paris, because of the alleged PRG attack on the Tong Le Chan base of the Saigon army. The Saigon administration is, of course, aware that such a suspension of the conference would scotch serious negotiations to seek a solution to South Vietnam's internal affairs. The administration then, unilaterally and indefinitely, suspended the sessions of the Central Two-Party Joint Military Commission in Saigon. It has gone further and suspended the weekly liaison flights between Saigon and Loc Ninh (the town which functions as the temporary headquarters of the PRG). To top it all, it has prevented the PRG delegation in Saigon from holding press conferences, cut off its telephone lines, and barred its contact with anyone outside including the International Control Commission. This, indeed, is a serious infringement of the privileges and the immunity accorded to the military delegation of the PRG under the Paris Agreement.

At the same time, the Saigon administration has intensified its operations for grabbing the territory under the control of the PRG and has sent planes in hundreds of sorties to bomb Loc Ninh town and many other heavily populated centres in the areas controlled by the PRG. And for such operations the Saigon army has used Tong Le Chan as a base against the various PRG-held areas in the two provinces of Tay Minh and Binh Long. Tong Le Chan is suitable for this purpose as it is in the midst of the liberated areas on the right bank of the Saigon river —



10 kilometres from the Vietnam-Cambodia border and 15 kilometres from An Loc which is the capital of Binh Long province.

Hundreds of thousands of political prisoners, moreover, continue to be detained by the Saigon administration, and political liberties for the people living in the Saigon-controlled zone are of course nowhere in sight. The Council of National Reconciliation and Concord has not been set up and the situation in South Vietnam has been deteriorating.

Under Articles 2, 3 and 5 of the Agreement, the US has ceased all its acts of war in South Vietnam, stopped the bombing, and ended the mining of the territorial waters, ports, harbours, and waterways of the Democratic Republic of Vietnam, deactivating or destroying the mines laid by it along 10 channels in the latter's territorial waters and withdrawing from South Vietnam its troops and those of its allies. Captured and detained military personnel and foreign civilians of the parties under Articles 8(a) of the Agreement were returned simultaneously with US troop withdrawals. The Government of the Democratic Republic of Vietnam and the PRG returned to the US all its military personnel and all foreign civilians captured in North and South Vietnam, totalling 588 persons; also, the PRG returned 5,016 captured and detained military personnel of the Saigon administration. The US and Saigon administration returned to the PRG 26,508 captured and detained military personnel; a number of prisoners are still detained by them, however.

Article 2 of the Paris Agreement stipulates: A ceasefire shall be observed throughout South Vietnam as of 24.00 hours GMT on January 27, 1973, and the complete cessation of hostilities shall be durable and without limit of time. But the Saigon administration had meanwhile prepared an overall plan called 'Territory Invading Plan', which included four stages: preparation, pre-ceasefire actions, actions concomitant with the ceasefire, and post-ceasefire actions. Under this plan, the Saigon administration's armed forces had been ordered:

(1) to expand military operations aimed at "securing control over 100 per cent of the population and territory" in the preparatory stage;
(2) to expand to a maximum the sphere of control and "launch simultaneous attacks against enemy units, inflict maximum losses on them or pin them down in remote places" before the ceasefire;
(3) to achieve increased "co-ordination among units while invading territory" as the ceasefire is ordered;
(4) "to secretly invade the territory or cut off the enemy-controlled area" after the ceasefire.

The Saigon administration has thus launched operation upon operation to grab lands in the area controlled by the PRG, and carried out savage air strikes against many areas deep in the liberated zone razing many villages and killing thousands of people. From January 28, 1973, to December 15, 1973, the Saigon administration committed 301,097 violations, comprising 34,266 land-grabbing operations launched by whole divisions and regiments; 35,532 artillery shellings; 14,749 aerial bombardments and recommendations; 216,550 police and 'pacification' operations, in all of which over 6,000 civilians were killed or injured.

Article 8(c) of the Agreement says: The two South Vietnamese parties will do their utmost to resolve the question of the return of the Vietnamese civilian personnel captured and detained in South Vietnam within 90 days of the ceasefire. But the Saigon administration has refused to return all political prisoners captured and detained by it. Although it has under detention 200,000 Vietnamese civilian personnel belonging to the National Front for Liberation, the PRG and various religious and political affiliations which are non-partisan in South Vietnam, Thieu has bluntly stated: "There are no political prisoners in South Vietnam. There are only two kinds of prisoners: 21,000 common-law convicts and 5,081 communist prisoners."

Shortly before the ceasefire, the Saigon administration, in its attempt to avoid return of the prisoners, had sent the detainees from one prison to another, dispersed the prisoners among various jails, registered political detainees as 'common-law' convicts, compelled detainees to sign 'release certificates', and taken many prisoners to unknown destinations or secretly killed them.

After a trip to South Vietnam, an American Bishop Thomas J Gumbleton asserted: "I can state unequivocally that there are political prisoners in Saigon's jails and in jails throughout the provinces. They are in jail not for any crime, but simply because they are in political opposition to the present government. The proof is overwhelming, and it is clear that these prisoners are subjected to inhuman treatment, including deliberate prolonged torture."

The civilian personnel kept by the Saigon administration in 'tiger cages' or other jails are living in appalling conditions. As the US magazine *Time* of March 19, 1973, put it: "It is not really proper to call them men any more. 'Shapes' is a better word — grotesque sculptures of scarred flesh and gnarled limbs." On April 30, 1971, US Senator W Anderson, speaking before the US Congress, denounced that the US had spent at least $ 266,000 to build more 'tiger cages' in Poulo Condor. On September 9, 1973, Senator Edward Kennedy denounced the US government for violation of the Paris Agreement by continued financial support to the police apparatus and prison system in South Vietnam.

Article 11 of the Agreement stipulates: Immediately after the ceasefire, the two South Vietnamese parties will:

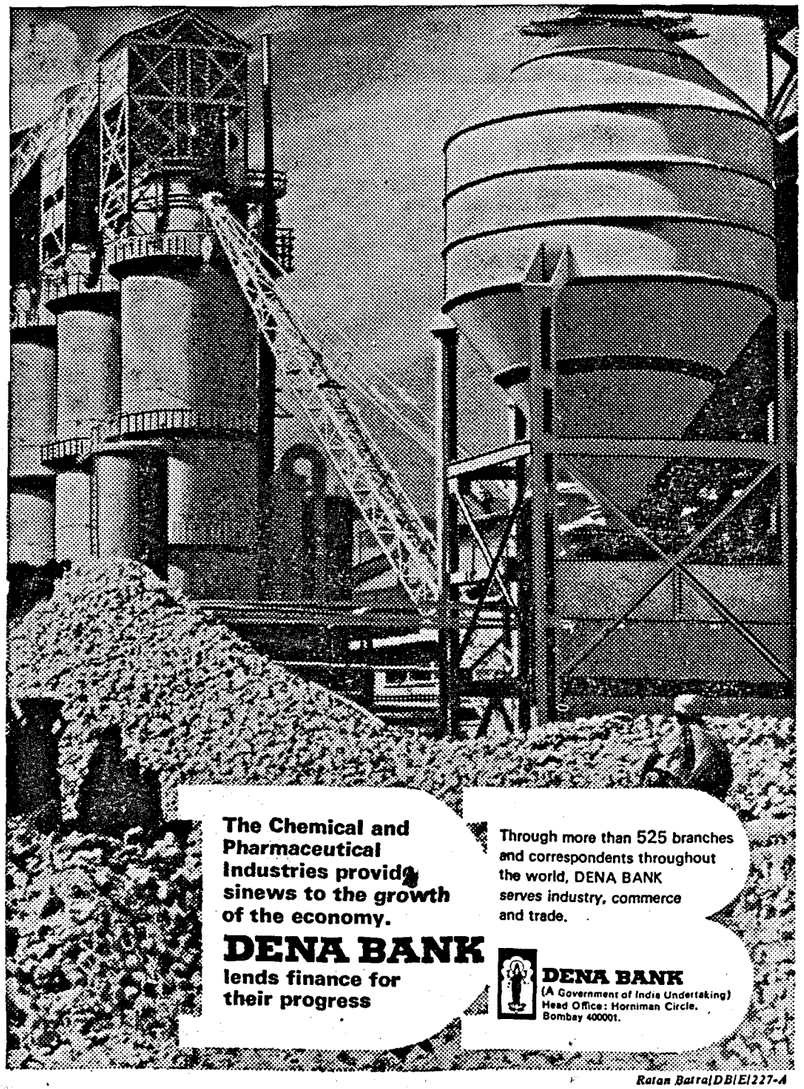
—Achieve national reconciliation and concord, end hatred and enmity, prohibit all acts of reprisal and discrimination against individuals or organisations that have collaborated with one side or the other;
—Ensure the democratic liberties of the people: personal freedom, freedom of speech, freedom of the press; freedom of meeting, freedom of organisation, freedom of political activities, freedom of belief, freedom of movement, freedom of residence, freedom of work, right to property ownership, and right to free enterprise.

One day after the signing of the agreement, Thieu bluntly stated that "as for all our affairs, laws, administration, we'll do exactly as in the past, nothing is changed ... If communists enter the village, they will be shot dead on the spot." Shortly before and after signing the Agreement, the Saigon administration in fact enacted dozens of new 'decrees', such as the "decree on local security" banning all market strikes and demonstrations and allowing the police to open fire on the spot; the "new Press decree" stifling freedom of the Press, and resulting in dozens of newspapers being closed down; the "decree" abolishing village elections and chiefs of province being appointed by Thieu, the administrative apparatus at the grassroots being put in the hands of officers loyal to Thieu; the "decree on the status of parties" aimed at eliminating 26 political parties in South Vietnam, leaving in existence only the so-called "Democratic Party" and other organisations belonging to Thieu; the "decree number 989" repressing anyone regarded as "dangerous" by the Saigon administration — and anyone suspected of com-

munist or neutralist convictions is considered "dangerous" and may be jailed.

In nearly a year of the signing of the Agreement, the Saigon administration has conducted innumerable police and 'pacification' operations in the course of which it has 'purged' over three million people, arrested and tortured over 36,000, herded over 920,000 people into concentration camps, plundered thousands of tons of rice, tens of thousands of head of cattle, and forcibly taken away 145 billion South Vietnamese piastres.

Article 9 of the Agreement asserts that the South Vietnamese people shall themselves decide the political future of South Vietnam through genuinely free and democratic general elections under international supervision. Article 12 says that the two South Vietnamese parties shall hold consultations to set up a National Council of National Reconciliation and Concord of three equal segments. The National Council, the Agreement stipulates, will ensure democratic liberties and organise general elections. But the Saigon administration wants the National Council to be a mere electoral Commission in the framework of the so-called 'Constitution' of the Thieu regime. Yet, so long as shooting does not stop, and the people are not allowed basic freedoms, there can be no elections in South Vietnam.



Ratan Batra/DB/E/227-A

Paid Pipers

Nireekshak

OPPOSITION spokesmen in the Lok Sabha were justified in charging the government with arranging a "calculated leak" to prejudice, even scuttle, the talks with trade union leaders to avert the railway strike. The charge relates to the letter the Prime Minister wrote to Chief Ministers on April 27, when negotiations between the railwaymen and the government had just been resumed. Spelling out the government's tough line on the strike, the Prime Minister called upon the Chief Ministers to act firmly, adding that it was impossible for the government to accept all the demands of the railwaymen. In particular, the demand for bonus was characterised as untenable by the Prime Minister. Simultaneously, and rather contradictorily, she also suggested that the railwaymen should await the report of the Bonus Review Committee — though everyone knows that the Committee's terms of reference do not cover railwaymen.

The Prime Minister's letter was not officially released to the Press, but quietly planted on one of the two national news agencies on April 29, when the Prime Minister was away in Iran. There was no confirmation or denial of the news agency story, but the report caused enough damage by raising doubts among the railwaymen's leaders about the *bona fides* of the government's representatives conducting the negotiations. If the demands were to be rejected outright — as the Prime Minister had done in her letter — what was the point of negotiations? Reconstructing the sequence of events, the railway workers' leaders are now inclined to believe that the government was never serious about a negotiated settlement on the charter of demands and was only trying to force a strike on the railwaymen at a time of its choosing to be able to crush it. The letter had been leaked out to break up the negotiations so as to prepare the way for the arrest of railway leaders throughout the country on May 2.

If the Prime Minister had desired publication of the letter, the honest course would have been to release it officially in New Delhi as part of the Railway Ministry's public relations drive to break the strike. But as things are, the only confirmation of the existence of the April 27 letter has come from the Tamil Nadu Chief Minister, M Karunanidhi, who referred to it in a public speech in Tiruchirapalli. One cannot help wondering if the Press did not become, albeit unwittingly, a party to the government's manoeuvre to disrupt the negotiations over the railway strike.

Questionable Procedure

The coverage of the Prime Minister's mission to Iran by a high-powered team of correspondents accompanying her was far from outstanding. All the ten or so of journalists wrote the same stuff because the sources in Teheran seemed to be limited — to wit, Foreign Secretary Kewal Singh and the Prime Minister's Information Adviser Sharada Prasad. The utility of Press parties accompanying the Prime Minister on such visits is highly questionable from the point of view of coverage. Going by the reports filed from Teheran, it is obvious that the coverage would not have been worse had the Information Adviser filed a daily round-up to be released in New Delhi in the form of a handout by the Press Information Bureau.

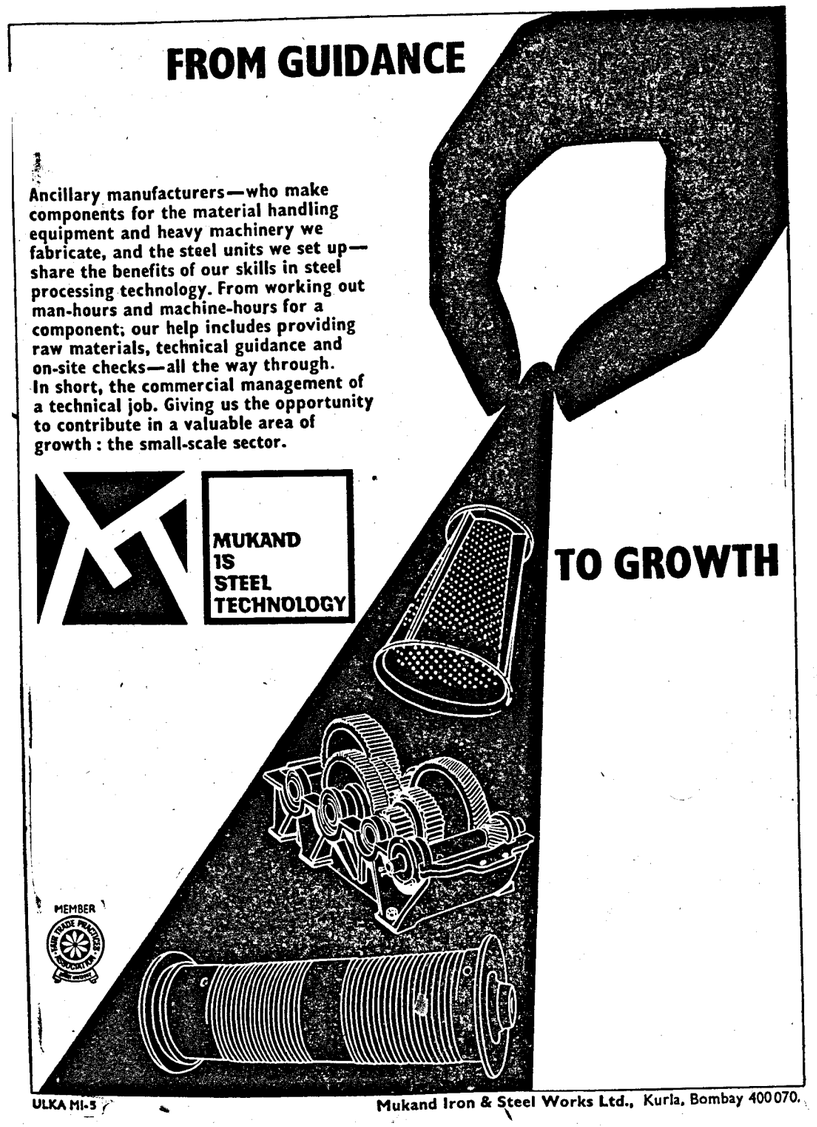
However, this kind of junket reporting assignments have attractions other than the purely journalistic ones. Often some of the language newspaper correspondents chosen for the joy rides do not carry with them so much as a cable-bearing authority because if they were to take the reporting seriously the budgets of their newspapers would be shot to pieces by the cable bills! Occasional trips abroad, euphemistically called coverage of VIP visits, are just another of the lollipops dangled before the New Delhi-based corps of special correspondents. The lobbying in the corridors of South Block on the eve of every such visit is certainly not an edifying sight.

The choice of the team this time was marked by some controversy. Those in charge of the selections went about their job in the usual way: choosing the beneficiary first and asking him or her to confront the editor with a *fait accompli* — the 'Prime Minister wants me to go' gambit. This time the editor of *Hindustan Times* rebuffed the government with a stiffly-worded letter. One of his correspondents, who covers neither the Foreign Office nor petroleum and chemicals (oil being one of the main issues expected to come up in the talks in Teheran), had been chosen without the knowledge of the editor. The editor, however, maintained that if his paper was to be represented at all on the Prime Minister's trip it would be for him to nominate the correspondent. Finally, he had his way and nominated the specialist on petroleum and chemicals on his staff. Other editors obviously meekly acquiesced in the lollipop game.

The government, which frets and fumes over big business control of the Press, has no inhibitions about subsidising these newspapers by meeting the expenses of their correspondents on such trips. If a trip by the Prime Minister or the President is considered worth covering, the newspapers and the news agencies should pay for their correspondents. However, almost as a rule, the government has been footing the bill and, in return, securing the kind of coverage it wants. Until a year ago, one used to hear Iran being referred to as a "sub-imperialist" power in government circles, but now the Press is being used to build up a new image of Iran, ruled by a progressive, socialist Shah who will go all out to bale India out of its economic difficulties.

To go by what Inder Gujral has been saying, the newsprint crisis will be with us for a long time. Two recent casualties of the crisis have been the *Times Weekly* (of the *Times of India* group) and the *Sunday World* (of the *Hindustan Times* group). Though both these papers were technically made out to be independent publications, they were for all purposes the magazine sections of their parent dailies. The suspension of these two weeklies might be due to the newsprint shortage, but they had also attracted the attention of the Monopolies and Restrictive Trade Practices Commission.

'Pull line forcing' is the term they use in the United States for the practice of making a consumer buy one product along with another. A reader from Bombay raised the issue of the *Times Weekly* and the *Sunday World* with the MRTP Commission. The Commission has served notice on the two papers that they cannot insist on their readers buying both the Sunday edition and the accompanying magazine as this constituted a restrictive trade practice.



Hidden History of the Sino-Indian Frontier

II—1954-1959

Karunakar Gupta

The negative role of the Historical Division of the External Affairs Ministry in keeping the Government of India and the public completely misinformed about the true history of the India-China border has been a major cause of the continued statemate over the Sino-Indian frontier. Ramsay Muir's dictum, 'bureaucracy is like fire; invaluable as a servant, ruinous when it becomes the master', is applicable to the officials of the Historical Division of the External Affairs Ministry who were able to hamstrung Nehru's original diplomacy which sought to work for a modus vivendi *with China, solving the boundary problems on a compromise basis.*

The official decision to keep the records of the External Affairs Ministry dealing with the Sino-Indian frontier from 1914 to June 1954 out of bounds for independent scholars has helped the Ministry to maintain till today a curtain of ignorance over the true border legacy of the British Raj. The history of the Sino-Indian frontier still remains hidden to most of us.

[The first part of this article, published last week, covered the period 1947 to 1954.]

BEFORE July 1954 there were only a few trouble spots on India's northern frontier. We have already referred to the exchange of several notes between the Nationalist Government of China and the Government of India during the period from 1944 to 1949. These Notes arose out of the Government of India's efforts to push its checkposts in the North-east frontier region from the foothills of Assam towards the vicinity of the McMahon Line. But since the establishment of the People's Republic of China in October 1949 no issues were raised by the Government of China over the persistent efforts of the Government of India to bring the tribal people under the control of the North-eastern Frontier Agency set up in 1950 under the Constitution of the Indian Republic. In the central sector, there was a recurrence of an old dispute in 1951 and 1953 in the Tehri-Garhwal region near Gum-gum Nallah. In 1926, a Boundary Commission consisting of the representatives of Tibet, Tehri-Garhwal and the Government of India had met at Nilang, but no agreement could be reached. There were no disputes in the Kashmir sector, though one of the Chinese armies which marched into Tibet in the fall of 1950 travelled by the Aksai Chin route from Sinkiang to Western Tibet. This is corroborated by Hugh Richardson in his book, "Tibet and Its History", (p 229). "A report on the presence of the Chinese troops in West Tibet and their advance from Sinkiang province was contained in an official despatch from the Government of India's Agent at Gartok, Mr Garpon Marlampa." (*The Statesman*, November 15, 1950). According to S S Khera, "Information about the activities of the Chinese on the Indo-Tibetan border, particularly on the Aksai Chin region, had begun to come in by about 1952 or even earlier. Subsequent events have shown that much of this activity was connected with the opening up of the road through the Aksai Chin region of Ladakh, and along the South Tibetan border towards Central Tibet and Lahasa ... However, no great significance appears to have been attached to the earliest reports of these movements from China into Western Tibet. But by about 1952, and in any case well before the 1954 Agreement, the developments had become too obvious to be ignored." ("India's Defence Problem", p 157.) Upto June 1954, the current Survey of India maps showed the northern as well as eastern boundary as undefined. Also, the future of Kashmir was still uncertain, India being committed to the verdict of an internationally supervised plebiscite, subject to the prior withdrawal of Pakistani armed personnel from its territory. These seem to be the real reasons why the Government of India kept silent for several years, even though they knew about the Chinese presence in the Aksai Chin region. Also they knew that the Head Lama of Ladakh, Kushak Bakola, had warned in June 1952 that Ladakh might seek political union with Tibet "as a last course left to us" [*vide* "The Danger in Kashmir" by Josef Korbel (Revised edition) pp 230, 231 and 233].

From the study of the White Papers published by the Government of India, we find that from July 1954 to July 1958 the protest Notes of the Governments of China and India were concerned with small areas of dispute such as Barahoti, Damzan (both south of the Niti Pass), Nilang area in in Tehri-Garhwal and Shipki Pass in the central sector. These disputes arose just after the signing of the Panch Sheel Agreement over Tibet because of several reasons. In the central sector, the Indo-Tibetan Border Force under the Home Ministry set up new check-posts in the previously disputed areas in accordance with the secret memorandum issued by Nehru in July 1954. The Chinese on the other hand were taking up a survey of the border region in this sector for the first time and, as the new overlords of Tibet, they were prone to support Tibetan irredentist claims in respect of the boundary. But these disputes did not form a part of the conversations between Nehru and Chou En-lai during the visits of the Chinese Premier to India in the winter of 1956-1957. They talked only about the North-eastern section of the Indian frontier. Nehru had discussed the Burma border in a recent letter to Chou En-lai in 1956, presumably because he thought that a satisfactory solution of Burma's northern border on the basis of the McMahon Line would strengthen India's position about the remaining section of the Line. Nehru got the impression that while Chou did not approve of this



border being called the McMahon Line, he had accepted the McMahon Line border with Burma and that, whatever might have happened long ago, he proposed to accept this border with India also after due consultation with the authorities of the Tibet region "in consideration of the friendly relations between India and China". Nehru did not raise the issue of the Kashmir border. (At a Press conference in Calcutta on December 9, 1956, Prime Minister Chou En-lai characterised the Kashmir question as "an outstanding issue between India and Pakistan".)

On August 21, 1958, the Government of India sent a protest Note to the Counsellor of China in India on the publication of a map of China in the *China Pictorial* of July 1958 on the ground of inaccuracies in the delineation of the Sino-Indian borders. In this Note for the first time objection was taken by the Government of India over large areas of Ladakh, a part of the Kashmir territory disputed between India and Pakistan, being shown as Chinese territory. Before this, there was another minor dispute in regard to the Ladakh region of Kashmir. On July 2, 1958, a Note Verbale was handed by the Ministry of External Affairs to the Chinese Counsellor in India about the occupation of Khurnak fort in Eastern Ladakh by the Chinese troops. On October 18, 1958, the Foreign Secretary of the Government of India handed over to the Chinese Ambassador an informal Note protesting that the Chinese should have constructed a part of the Yehcheng-Gartok road "through indisputably Indian territory without first obtaining the permission of the Government of India and without even informing the Government of India". This letter also made an enquiry about an Army patrol of 15 people and 34 ponies which were out "on normal Patrol" in this area and did not return. The Foreign Secretary referred to these incidents as "petty frontier disputes". On November 8, 1958, the Note submitted by the Indian Ambassador to the Chinese Vice-Minister for Foreign Affairs said, *inter alia*, "It is now clear that the Chinese also claim this area as their territory. The question whether a particular area is Indian or Chinese territory is a matter in dispute which has to be dealt with separately". But Prime Minister Nehru's letter of December 14, 1958 to Premier Chou En-lai which mainly dealt with the border between India and China did *not make any reference to the* Ladakh, *i e*, Kashmir section of the frontier. This *seems to imply* that the letter of the Foreign Secretary dated October 18, 1958 was issued mainly to secure the information and the release of the Army personnel who had been sent to explore the exact location of the Sinkiang-Tibet highway and had been arrested by the Chinese at Haji Langar in the summer of 1958.

According to the IB Chief, B N Mullik, "... enough information was *available about the construction* of the road right from 1951 to 1957, when the road was formally declared open ... All through these years no questions were raised by the Army Headquarters or the Ministry of External Affairs about this road. It was only after the road had been completed and heavy traffic had started plying that some attention was *turned on it* though even then ... it was only considered to be of nuisance value and not one that *affected* our security" ("My Years with Nehru", p 199).

The first Director of the Historical Division, Ministry of External Affairs, K Zachariah, informed the North and North-East Border Committee that during the days of the British Raj the Government of India maps showed *consistently a definite alignment* only in the North-West corner of Kashmir, *viz*, the Gilgit region facing the border of the Russian Empire just beyond the narrow strip of Afghan territory known as *Wakhan corridor*. There were in the main three conceptions of the North and North-Eastern boundary of Kashmir put forward by British officials and cartographers, and explorers at different times:

(1) There was the *John Ardagh Line* showing a boundary alignment which took the crest of the Kuenlun range and enclosed within the British territory the upper reaches of the Yarkand river and its tributaries and the Karakash river as well as the whole of the Aksai Chin plateau. (This was a strategic adaptation of the Johnson boundary of 1865.)

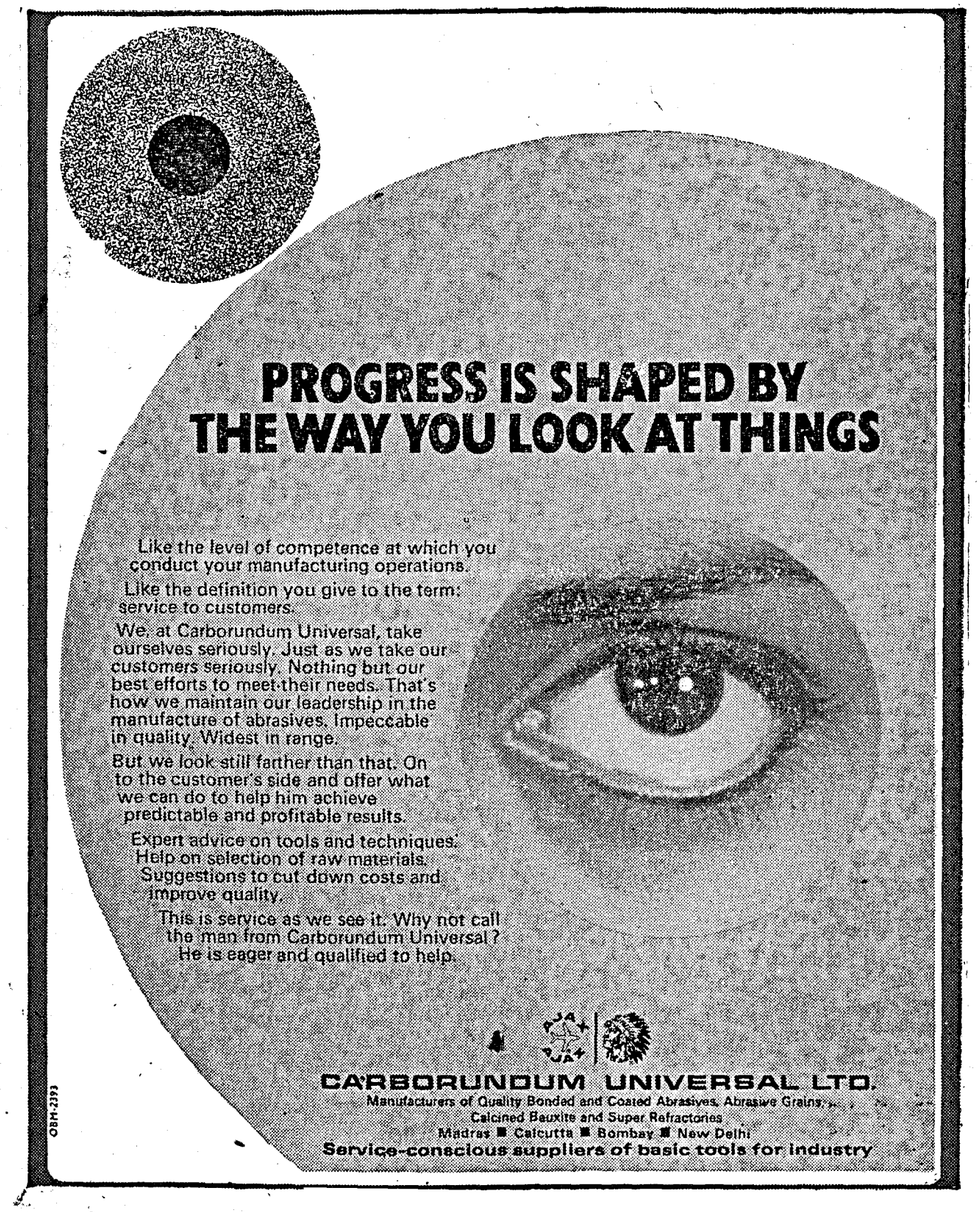
(2) There was the Macartney-MacDonald line (1899), which put forth a less ambitious claim of territory north of the Karakoram range. East of the Karakoram Pass, it left to China the whole of the Karakash Valley and almost all of Aksai Chin proper. It followed the Lak Tsang range which left on the Indian side the Lingzi Tang salt plains and the whole of the Chang Chenmo Valley, as well as the Chip Chap river further north.

(3) Then there was the Karakoram Line, which was based on the watershed principle. (The Map of India attached to the Report of the Indian Statutory Commission Volume I shows the Karakoram alignment depicting the North and North-east boundary of Kashmir.)

Scanning the Survey of India maps during the last decade before Independence, we find that the Map of India (showing Provinces, States and Districts; scale 1 inch to 70 miles) published in 1938 failed to show any boundary line or colour difference along the wide region between Kashmir and Sinkiang/Tibet. Since 1945, however, though the North and Eastern boundary of Kashmir were shown as 'Undefined', an attempt was made by means of a colour-wash to convey a vague idea, of the North and Eastern boundaries of Kashmir more or less in conformity with the Ardagh line in the region east of the Karakoram Pass. (This change was made apparently at the initiative of Olaf Caroe, who was then the Foreign Secretary to the Government of India. This practice was followed in regard to Maps showing the North and Eastern boundaries of Kashmir, which were current till June 1954.)

Claim by Erasure

In the new map of India issued in July 1954, the words 'Boundary Undefined' were erased, and by this simple process the Survey of India maps laid claim to a boundary alignment of Kashmir east of the Karakoram Pass akin to the John Ardagh Line, including the whole of Aksai Chin and reaching the Kuenlun Mountain in the north-east. Though in his circular of July 1954 to the Ministries of External Affairs, Home and Defence, Nehru ruled that "the northern border should be considered a firm and definite one which was not open to discussion with anybody", no action was taken to push the checkposts to the forward areas in the Kashmir sector, as was done in the middle and eastern section of the Northern boundary. Regarding the setting up of checkposts in the Aksai region, "The Army's attitude was that they could send an occasional patrol but they were in no position to open and hold any posts in this area ... it would be difficult to oust the Chinese from this region. In any case, the army was in position to make that effort be-



cause of the limited resources available at Leh and of the non-existence of any road communication from Leh to these parts" (B N Mullik, "My Years with Nehru", p 201).

It appears that the Government of India's unilateral decision in July to issue new maps of India with a well-defined Northern boundary incorporating a version of the John Ardagh Line in the Kashmir sector east of the Karakoram Pass was primarily meant to provide a bargaining counter in boundary negotiations with China which were inevitable at some future date. It is significant that even in August-September 1959 when Nehru had to face an angry Parliament in the context of the concurrent leakage about the border clash at Longju and the construction of the Chinese highway through Aksai Chin, Nehru maintained a pliant attitude about the exact location of the frontier in the Ladakh region while asserting a firm claim about the McMahon Line all along. On August 28, 1959, Nehru said, "This was the boundary of the old Kashmir state with Tibet and Chinese Turkestan. Nobody had marked it ... But after some kind of broad surveys, the then Government had laid down that border which we have been accepting ... the Aksai Chin area is an area about some parts of which ... it is not quite clear what the position is". On August 31, 1959, Nehru said, "The position in Ladakh is different from the position in the North-Eastern Frontier Agency ... the Ladakh border was for these long years under the Jammu and Kashmir State and nobody knew exactly what was happening there although some British officers went a hundred years ago and drew a line and the Chinese did not accept that line. The matter is clearly one for consideration and debate ...". Nehru spoke in the same vein about the border of Ladakh in Parliament on September 10 and September 12.

Nehru's Directive Disregarded

Neville Maxwell quoted an official directive issued by Nehru on September 13, 1959 which also reveals his desire for a compromise settlement in the Ladakh sector of the boundary. "... (d) The Aksai Chin area has to be left more or less as it is as we have no checkposts there and practically little of access. Any questions in relation to it can only be considered when the time arises, in the context of the larger question of the entire border. For the present, we have to put up with the Chinese occupation of this north-eastern sector [of Ladakh] and their road across it ..." ("India's China War", p 130).

In the original draft resolution of the Working Committee of the Congress Party drafted on September 25 for the AICC session held in Chandigarh (September 25-28), there was reference to "the recent developments on the North-East frontier of India" only, there being no specific reference to the Ladakh region. This was objected to by many members of the AICC and the resolution was suitably amended. From this report published in the *Hindu*, September 28, 1959, we can presume that the Congress High Command also was not sure about the Indian claim on Aksai Chin.

In spite of Nehru's directive of September 13, prohibiting further movement in the Ladakh region, the Indo-Tibetan border force under the Home Ministry was involved in a clash with the Chinese border force near the Kongka Pass on October 21, 1959, in which nine Indian policemen lost their lives. This incident marked a critical point in the Sino-Indian frontier dispute, which hamstrung Indian diplomacy by rousing public anger to a boiling point. On October 23, 1959, the Ministry of External Affairs submitted a Note to the Chinese Ambassador in New Delhi protesting against the "sudden and aggressive firing by Chinese forces in the region of the Kongka Pass" and "intrusion by Chinese troops into an area which is part of Indian territory". This Note claimed that this area was about 40 to 50 miles west of the traditional Sino-Indian frontier which had been shown in official Indian maps. However, from the testimony of Karam Singh, the Commander of the Indo-Tibetan border forces which clashed with the Chinese patrols near the Kongka Pass, it appears that one Sharma, Deputy Director in the Ministry of Home Affairs, gave him instructions to establish new checkposts in forward areas in Ladakh on September 22, 1959. (*Vide* White Paper III, p 14.) This shows that some officials of the Home Ministry and its underlings, such as the Indo-Tibetan border force as well as the Intelligence Bureau, were nonchalantly flouting the directive of Nehru dated September 13, 1959, prohibiting forward movement of patrols in the Ladakh sector and that this led to the critical Kongka Pass incident of October 21, 1959. B N Mullik writes, "On October 23, when the facts of the outrage came to be known, the Prime Minister held a meeting which was attended by the Defence Minister, the Chief of the Army Staff and officers from the Ministries of External Affairs, Home and Defence ... The Intelligence Bureau was made the common target by the Army Headquarters and the External Affairs Ministry and accused of expansionism and causing provocation on the frontier ... The Army demanded that no further movements of armed police should take place on the frontier without their clearance ... the Prime Minister had to give in to the Army's demand. The result was that the protection of the border was thereafter handed over to the Army and all operations of armed police were made subject to prior approval of the Army command ..." ("My Years with Nehru", pp 243-44). Thus we have B N Mullik's own testimony to show that while the Government of India publicly accused China of unprovoked aggression at the Kongka Pass, within the inner conclave of the Government the blame for provocation and aggression was squarely laid on the Intelligence Bureau.

Rigid Attitude

It was after November 1959 that Nehru took a rigid attitude about India's border claims in the Kashmir sector. The Note of the Ministry of External Affairs to the Embassy of China dated November 4, 1959 described in detail for the first time the boundary claimed by the Government specially in the section eastward from the Karakoram Pass. "From the Karakoram Pass this boundary proceeds north-east *via* Qara Tagh Pass and then follows the Kuenlun range from a point 15 miles north of Haji Langar to Peak 21250 (Survey of India Map) which lies east of Longitude 80 east." This Note also made a strange assertion that "This line constitutes the watershed between the Indus system in India and the Khotan system in China", while according to authoritative opinion, the Karakoram Mountains, which extend south-east of the Karakoram Pass, form the watershed between the Indus system and the Khotan system. The famous Swedish explorer Sven Hedin, Owen Lattimore, The Imperial Gazetteer, Volume XV (1908), Chambers Gazetteer (1962) and and Columbia Encyclopedia (1963) agree on the Karakoram Mountains as the main water divide in this region. In early November 1959, the Historical Division of the External Affairs

in this sector also, as a part of the overall settlement of the boundary problem which would involve Indian recognition of the Chinese claims in the Aksai Chin area ensuring the security of the Sinkiang-Tibet highway.

MISINFORMED BY HISTORICAL DIVISION

K P S Menon has been the most knowledgeable person among the Indian diplomats since the days of the British Raj and he was speaking with unchallengeable authority when he made the following remarks in his address at the Convocation of the Indian School of International Studies, New Delhi, on December 13, 1969 referring to Chou En-lai's offer to recognise the McMahon Line in lieu of Indian recognition of Chinese claims in the 'disputed' Aksai Chin area. "I deliberately say 'disputed', because maps, treaties, agreements, and other documents on which both sides rely cannot be said to place the boundary, as conceived by either party, beyond the region of doubt or the need for negotiation. The watershed principle, on which we have heavily relied in other sectors of the frontier, is in the Aksai Chin area not in our favour. Moreover, it cannot be forgotten that Aksai Chin is of no importance to India, whereas to China, it is of the utmost importance because it is the link between two historically troublesome regions, Tibet and Sinkiang" ("The Sixties in Retrospect", page 12). The disputed nature of the Aksai region, as we know, was admitted by Nehru himself in several speeches in Parliament in August-September 1959. The official Note submitted by the Indian Ambassador G Parthasarathi to the Chinese Vice-Minister for Foreign Affairs in Peking on November 8, 1958 includes the following reference to the Aksai Chin area: "It is now clear that the Chinese Government also claim this area as their territory. The question whether a particular area is Indian or Chinese territory is a matter in dispute" ("White Paper 1954-1959", p 29). This was also a recognition of the disputed nature of the Aksai Chin area.

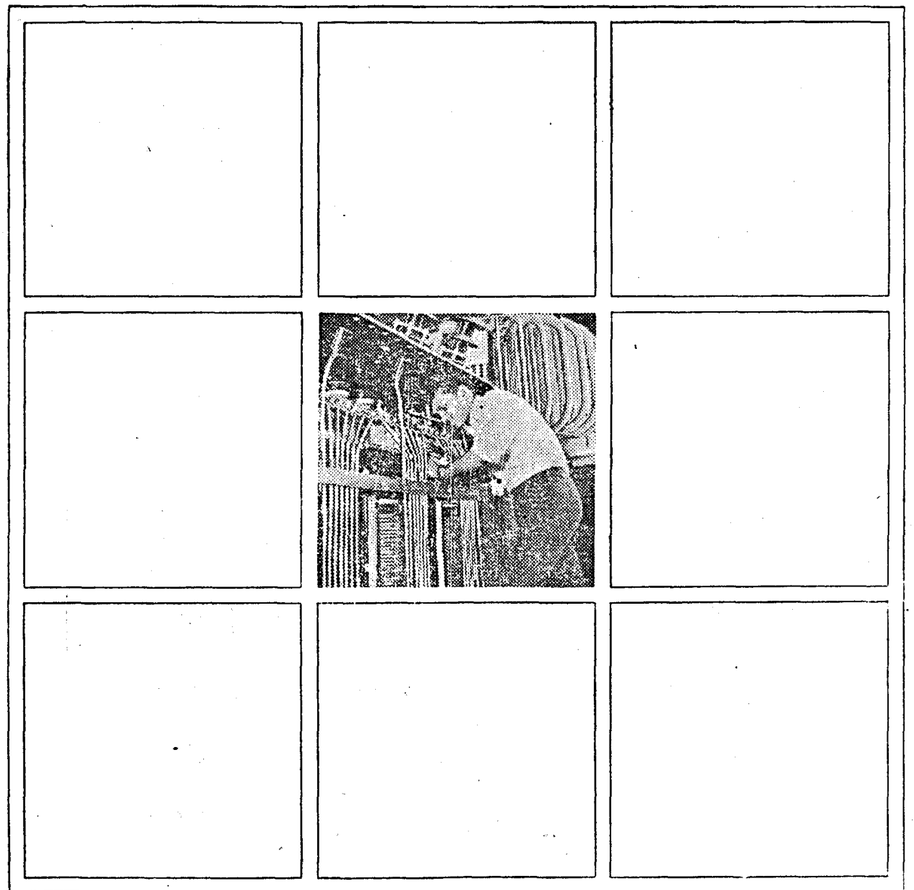
But as we have seen, the Historical Division of the Indian External Affairs Ministry misinformed our Government about the true legacy of the British Raj in regard to our border claims in the Western sector. In the case of the Eastern sector also it failed to do its homework and find out the spurious nature of the "Aitchison's Treaties" (Volume XIV) 1929 relating to Tibet, which Olaf Caroe fabricated in 1938 to falsely assert that the Simla Convention covered both the Sino-Tibetan and the Sino-Indian boundaries and to confirm that the McMahon Line was a legal boundary. [If it had simply cared to look into the Aitchison's Treaties (Volume XII), 1931, relating to Assam (p 100) it would have seen that the Tawang tract in at least its northern reaches was under Tibetan administration during the days of the British Raj.] In the case of the Western sector, it completely ignored the Aitchison's Treaties relating to Kashmir (Volume XII, Part I, p 5) 1931, which says, "The northern as well as the eastern boundary of the Kashmir State is still undefined". The way in which the Historical Division of the External Affairs Ministry twisted the content of the letter of March 14, 1899 written by the British Minister in Peking C M MacDonald to the Ministers of the Tsungli Yamen (Chinese Foreign Office) giving the boundary proposal for Kashmir — later known as the Macartney-MacDonald line — was disingenuous. (This important document relating to the Indian border claims in the Kashmir sector was misquoted in the following important official communication made by the Government of India during 1959-1961: (1) Nehru's letter to Chou En-lai dated September 26, 1959; (2) Letter to the Editor, *The Times* (London), entitled "China-India Border Dispute" written by M A Husain, Acting High Commissioner for India published on November 27, 1959; (3) "Report of The Officials of the Governments of India and The People's Republic of China on the Boundary Question" (Ministry of External Affairs, Government of India February 1961), p 55 of the Report of the Indian Officials.

The Historical Division of the External Affairs Ministry also appears to be responsible for the misrepresentation that the adaptation of the John Ardagh Line east of the Karakoram Pass — as shown in the Survey of India maps since July 1954, represents the watershed between the Indus system in India and the Khotan system in China. If the officials concerned had done their homework, they would have noticed that in "The Imperial Gazetteer of India" (1908), Volume XV, p 84, there is the following quotation about the watershed in that region: "The Karakoram range is of a far more complicated character. Broadly speaking, it is a continuation of the Hindukush, and forms the watershed between the Central Asian drainage and the streams flowing into the Indian Ocean."

The negative role of the Historical Division of the External Affairs Ministry in keeping the Government of India and the public completely misinformed as to the true border legacy has been a major cause of the continued stalemate over the issue of the Sino-Indian frontiers. Ramsay Muir's dictum, "Bureaucracy is like fire — invaluable as a servant, ruinous when it becomes master", is applicable to the officials of the Historical Division of our External Affairs Ministry, as they were able to hamstring Nehru's original diplomacy of working for a *modus vivendi* with China and solving the boundary problem on a compromise basis. An official decision to keep the records of the External Affairs Ministry dealing with the Sino-Indian Frontier from 1914 to June 1954 out of bounds for independent scholars has helped them to maintain till today a curtain of ignorance on the true border legacy of the British Raj, and the history of Sino-Indian frontier still remains hidden to most of us.

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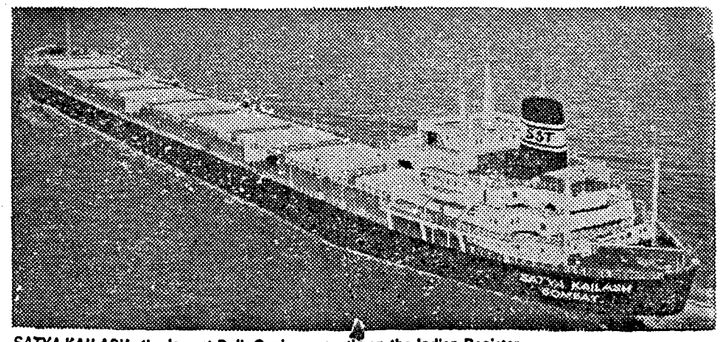
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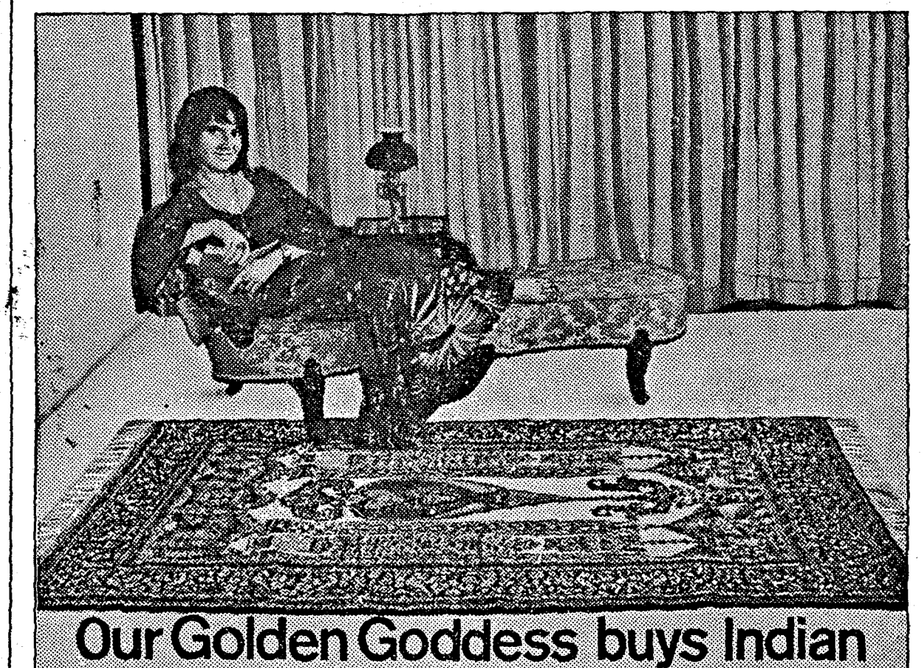
POLITICAL ECONOMY OF TECHNOLOGY TRANSFER

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TARAPUR FALLING APART



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Founder-Editor: Sachin Chaudhuri

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Over to the Police

THE nation-wide strike of railway workers will rank as a landmark in the government's backward march from the pseudo-socialist slogans of 1969. The Defence of India Rules and the Maintenance of Internal Security Act, indefinite detention without trial, police violence and even arranged murders have become stock weapons against political elements inconvenient to the government. The railway strike has seen the use of some of these weapons against organised labour on a scale hitherto unknown. What leaves one aghast is the calculated cold-bloodedness with which the operation has been conducted. There can be no pretence that the intensity of the repression has increased in response to provocations from the other side. In this case, the provocation and the repression have both come from the same side — the government's. Beginning with the use of the DIR to pronounce the strike illegal and the sudden arrest on May 2 of over 300 leaders of railway workers, including some members of the National Co-ordinating Committee for Railwaymen's Struggle, even as negotiations were going on between the government and the Committee, the government's actions have followed what is, quite obviously, a carefully predetermined course.

In a little over two weeks, more than 20,000 persons have been arrested, most of them under DIR and MISA. Railway workers have been thrown in jail simply for not reporting for work. Others have been arrested for no more than attending meetings in support of the strike. More active support for the strike has, of course, become a grave crime. The police and the paramilitary forces like the Border Security Force and the Central Reserve Police have been systematically terrorising the railway workers. Houses of workers have been raided in the dead of night by armed policemen and workers offered, at gun-point, the choice between returning to work immediately or being arrested on the spot. Large numbers of workers have been thus forced to go into hiding, which has turned the wrath of the government against their families, especially those living in railway colonies.

Three Members of Parliament who visited the Tughlakabad railway colony in Delhi found "the spectacle of a deserted town in war-time". In a statement they have said, "the entire male population of the colony is in self-imposed exile, following attempts by the police to hunt out railway employees and take them to places of work at the point of the bayonet". A report from Mughalsarai gives some idea of what the railway workers and their families have had to go through: "Scores of women residing in a railway colony on the outskirts of this town gheraoed the divisional mechanical engineer today [May 14] to register their protest against alleged police excesses. They dispersed only when women Home Guards were called in ... The residents alleged that a large contingent of BSF personnel and policemen surrounded the colony in the early hours and conducted a door-to-door check for striking employees ... The wife of an employee showed newsmen the smashed doors of her flat and alleged that a group of policemen forced their way into it and took away her husband who is on strike. Tears rolling down her cheeks, another woman complained that some policemen had not only misbehaved with her but also hit her two-year old child on the head. Meanwhile large contingents of the BSF, the CRP and the RPF continue to be posted in various railway colonies" (*Times of India*, May 15).

Many railway colonies all over the country have had their water and electricity supplies cut off since the beginning of the strike. Families of workers on strike have been forcibly evicted from their quarters. A report from New Delhi says: "Large-scale eviction of families of striking railway employees from the staff quarters has become the talk of the town ... The railway authorities have pasted eviction notices on 353 staff quarters in various colonies. The families have been given 12 hours to vacate the quarters or face eviction by the police ... Neighbours of the evicted families said police did not even allow them time to take out their belongings ... The evicted families have shifted to unknown places, as the neighbours and others in the colony were terrified to provide them temporary shelter in their quarters" (*Hindustan Times*, May 17). The terror-stricken atmosphere in railway colonies is described in this report from Bombay: "A knock on the door of a tenement these days strikes fear in the hearts of residents of railway colonies in Bombay. Wives and grown-up children of the striking railway employees are in a disturbed state of mind. The wife of a guard in the Parel colony told this reporter she had been keeping awake every night since the strike began. Starting from the early hours of the morning police vans fitted with loudspeakers enter the colonies at least three times a day, the residents stated. The high-pitch announcements that the strike is illegal and the strikers will lose their jobs are follow-

ed by arrests of the employees in their homes. When this reporter visited two of the colonies on Monday [May 13] he found that most of the employees were not at home. Their wives and children were hesitant to open the doors" (*Times of India*, May 14).

Given this overwhelming reliance on use of terror to cow down the workers, it is not surprising that the initiative in dealing with the strike has passed from the railways to the police. This is in keeping with the trend of growing dependence of the government on the police to sustain it in power. If despite the unrestrained use of the police, the railway workers have been able to keep the strike going for so many days, the reason is not that they were particularly well organised for the strike or that they have received any extraordinary support from the opposition parties. It is the desperate economic condition of the workers — the cumulative result of continuously and sharply rising prices, acute shortages of the basic necessities of life and growing unemployment — which has made them unsuspectedly resilient and militant. Recent trends in government policy point to a further worsening of the economic crisis — continued erosion of resources available for investment, further distortion of the distribution of income in favour of the better-off sections and of the pattern of investment in favour of non-essential items, breakdown of even the existing highly inadequate public distribution system for foodgrains, an even freer hand to trade and industry to boost prices by speculative hoarding and output restriction and, therefore, a continuation of the inflationary spiral. The prospect, therefore, is of a mutually reinforcing process of growing mass discontent and growing mass repression. As she retires to the cool of Srinagar this weekend, the Prime Minister would do well to ponder the implications of this for the political system over which she presides.

Tarapur Atomic Power Plant

Falling Apart

THE Annual Report of the Department of Atomic Energy for 1973-74 indicates, for the first time, that a great deal is wrong with the Tarapur atomic power plant. To quote from the Report:

"The output levels of both units [of Tarapur] had to be deliberately restricted, principally on fuel considerations. In Unit I, significant fuel defects are suspected to have occurred, probably as a result of extensive thermal and pressure cycling during the June-July series of reactor scrams resulting from transmission lines problems. These defects result in activity releases which have to be stringently controlled by restricting power levels. The output of Unit II on the other hand had to be kept low to postpone its refuelling until early February in response to urgent requests from the grids, particularly from the Gujarat Electricity Board. The refuelling should have normally been undertaken in November/December 1973. Another reason contributing to occasional restrictions on output was leaks in condensors."

The tentativeness of some of the statements in the above passage reflects rather more than the customary bureaucratic proneness to caution and understatement. For, it appears that the Tarapur authorities themselves have been unable to diagnose in detail the problems of the power station and to pin-point their causes. The reason for this has to be traced back to the planning of the Tarapur project and the place assigned to it in the power systems of Gujarat and Maharashtra.

The Tarapur reactor was planned as an integral, and vital, part of the Maharashtra and Gujarat power grids. These grids have been planned on the basis of 80 per cent load factor on Tarapur. As a result, if Tarapur is out of action there is a sharp cut in availability of power in the two grids which cannot be made up from any alternative source. Inevitably, therefore, there has been enormous political pressures — which is reflected in the statement from the Atomic Energy Department's Annual Report, about postponement of refuelling of Unit II, quoted above — to keep the Tarapur plant operating at any cost.

The cost of this flogging has been very heavy. When there has been a failure, instead of investigating it in detail, the project authorities have been forced to patch up the defect in an *ad hoc* manner and restart the power station at the earliest. Very often the result has been another related failure, followed by another hurried patch-up. The chain has gone on lengthening. The area of ignorance about the problems of the reactor has expanded while the entire system has deteriorated rapidly.

Both the units of the reactor have scrammed dozens of times. Though the statement quoted above blames, "transmission lines problems" for the scrams in June-July last year, the fact is that in most cases it has not been possible to identify the precise cause of scramming. Even where the immediate situation in which the scramming has occurred is known, it has not been possible to trace the sequential chain of happenings to the basic cause. As a result, the reactor system has aged rapidly, with leaking valves and joints, clogged pipes, corroded equipment and bewildered operators. Transformers get burnt, feeder lines trip, steam mains burst, instruments behave erratically. Yet the slogan has been: 'run the plant at any cost'.

Tarapur being a nuclear power plant, there is another aspect to this neglect of plant maintenance: the rise in the level of radioactivity and the grave danger posed by it. Radioactivity levels inside the station and the nearby areas are already excessive and the regular leaks ensure a continuous rise in these levels. Waste management has been haphazard. Personnel at the site and in Bombay having been exposed to very high levels of radiation, workers have had to be brought from the Rajasthan and Madras atomic power projects and even from the Neyveli Lignite Corporation to work in high radiation areas. The periodic reports on the health aspects of Tarapur, prepared by the concerned division of the power station, have persistently drawn attention to the high and rising levels of personnel radiation and to instances involving deviations from and violations of technical specifications of the plant. It has also been pointed out that often personnel have been authorised to receive very high doses of radioactivity. There have been known cases of fatalities in the last year and a half from radiation-induced cancer. Because of the pressures generated by the directive to keep the plant in operation, often even major accidents have had to be hushed up.

Both for the future of the power plant and for human safety, it is imperative that Tarapur is allowed a long enough shutdown for thorough investigation and rectification of defects and modification of systems. This will involve requiring Maharashtra and Gujarat to do without power from Tarapur for a long period, extending perhaps even upto a whole year. Clearly, this is possible only if a decision is taken at the highest level in the Central government.

Because of the disorganisation of postal services, Calcutta Diary and Capital View do not appear this week.

— *Ed*

Monopolies

Growth with Government Blessings

THE Monopolies and Restrictive Trade Practices (MRTP) Act was brought into force in June 1970 with much fanfare. The objectives sought to be achieved through the Act were nothing if not pompous; they were traced to by now almost forgotten Directive Principles of State Policy which, *inter alia*, enjoin the government to ensure that the ownership and control of the material resources of the community are so distributed as to subserve the common good and that the operation of the economic system does not result in the concentration of wealth and the means of production to the common detriment. The objectives set out in the preamble to the Act ran along parallel lines: to ensure that the operation of the economic system does not result in the concentration of economic power to the common detriment, to control monopolies, to prohibit monopolistic and restrictive trade practices.

The need for the enactment arose out of not hypothetical possibilities but incontrovertible evidence of the existence and rapid growth of concentration of economic power and of monopolistic tendencies, as shown by R K Hazari's study, by the Monopolies Enquiry Commission Report and, more comprehensively, by the Dutt Committee Report. A series of distortions in the working of the entire industrial licensing system had come to light, such as the lack of any clear industrial priorities, concentration of industries in a few large industrial houses, pre-emption of industrial licences and cornering of large funds from the term-lending institutions. These were some of the tendencies which the Monopolies and Restrictive Trade Practices Commission, established under the MRTP Act, was intended to check.

In the four years from 1970 to 1973 a total of 12,096 applications for industrial licences were received by the government. Of these, those falling within the purview of sections 21 (substantial expansion) and 22 (establishment of new undertakings) of the MRTP Act numbered no more than about 400, from the enforcement of the Act in June 1970 to November 1973 (50th Report of Estimates Committee on Industrial Licensing and Annual Report for 1973-74 of the Ministry of Law, Justice and Company Affairs). These 400 applications pertained to the 917 undertakings registered with the government — 803 as inter-connected undertakings having assets worth Rs 20 crores or more and 114 as dominant undertakings having singly or jointly assets of the value of not less than Rs 1 crore. Against the Dutt Committee's finding of a disproportionately large share of all industrial licences having been cornered by the large industrial houses, the figure of 400 applications from large houses and dominant undertakings out of a total of 12,000 applications is unbelievably small.

The reason for this is obvious. The provisions of the MRTP Act with regard to registration have been applied so legalistically and restrictively that a large number of inter-connected undertakings have evaded registration. A couple of examples will make this clear. According to the Dutt Committee Report, Birlas as a large industrial house had in 1966 203 concerns directly under them and another 73 second-tier concerns, making a total of 276. Against this, as revealed in the government's reply to a question in Parliament, only 45 undertakings belonging to the Birlas have been registered with the government as inter-connected undertakings. Likewise the Dutt Committee identified 70 inter-connected undertakings directly belonging to the house of Tatas and 14 second-tier ones. However, only 25 of them have been registered with government as inter-connected undertakings under the MRTP Act. With so few undertakings belonging to the large houses registered with the government, it is not surprising that the number of applications for industrial licences falling within the purview of the MRTP should bear little relationship to the actual number of applications made by the large houses.

The story of the government's contempt for the objective of curbing the concentration of economic power does not end there. Even out of the 400-odd industrial licence applications deemed to fall within the purview of the MRTP Act according to the government's highly restrictive judgment, only 32 have been referred to the Monopolies Commission for detailed inquiry. The rest have been disposed of by the government without reference to the Commission. After the establishment of the Commission, the Birlas have got about 20 licences in respect of just the 45 registered inter-connected undertakings and Tatas about 12 in respect of the 25 registered inter-connected undertakings.

There is no apparent logic behind the government's decision to refer or not to refer to the Monopolies Commission particular cases pertaining to the large houses. As the Commission itself complains in its Annual Report for the year 1972, "As against 22 references received in 1971 only 10 references were received in 1972. The Commission has, however, observed that a number of cases of large magnitude and importance to the economy were decided by the Central government without reference to the Commission ... the Commission is not able to understand the policy which is being pursued in this respect. The Commission cannot help feeling that there is some incongruity in that sometimes cases not involving any major issues are referred to the Commission while others, which would *prima facie* involve important considerations, are not referred." The present chairman of the Commission, Justice J L Jain, confirmed the general impression about the irrelevance of the Commission when he said in his speech to the Madras Company Law Study Circle in November last year that "the Commission plays even a less important role than what the Act envisages". He was rebutting the criticism that the MRTP Act had impeded industrial growth. Also referring to this criticism, H K Paranjape, a member of the Commission, said at the same meeting: "people give us too much credit ... We are not that effective because the number of cases covered by the MRTP constitutes a very small part of total industrial growth".

This is entirely true. Only 4 per cent of the industrial licence applications come under the provisions of the MRTP Act as restrictively interpreted by the government. Of these 4 per cent less than 10 per cent are referred to the Monopolies Commission. And, as the Chairman of the Commission stated at the Madras meeting, of the number of proposals referred to the Commission, those rejected form less than 10 per cent.

In the circumstances, even a cursory cost-benefit study of the Monopolies Commission and the attendant paraphernalia can lead to only one conclusion: disband the Commission and scrap the Act. As things are, the ex-

istence of the Act and the Commission only serve to foster the totally false impression that the government is concerned about checking the growth of the large business houses and the concentration of economic power.

Government and FICCI

United We Stand

THE government's version of the railway workers' strike has certainly not suffered for want of publicity. The government has fully exploited its control over All-India Radio to retail all manner of lies and half-truths to discredit the strike while almost completely shutting out news and views favourable to the railway workers. The propagandist nature of the AIR's coverage of the strike has been so blatant that even its own employees have been driven to protest against it. In addition, the railways have spent tidy sums of public funds to pay for the clumsily-written advertisements condemning the strike and holding out veiled threats to workers which have been appearing in newspapers all over the country. In the regular news coverage of the Press too the government's side of the story has received many times the prominence that has been given to the other side. With so much propaganda on behalf of the government, the modest-sized advertisements in the newspapers calling upon "citizens" to "help the nation meet the challenges" would not have deserved any notice but for the fact of their being sponsored by the Federation of Indian Chambers of Commerce and Industry.

The FICCI must know that its advertisements can have no startling impact on the state of public opinion about the railway strike. In fact, some parts of the advertisements sorely strain the reader's credibility. For instance, most people will ask whether the appeal against hoarding should not be more appropriately directed at some of the pillars of the FICCI itself than at ordinary "citizens". However, the FICCI's purpose in publishing the advertisements is perhaps very different — *viz*, to publicly affirm that in the difficult situation created by the strike of railway workers, the FICCI stands solidly by the government.

Not, of course, that anyone expects the FICCI to take the railway workers' side. But what is significant is the *public* affirmation of camaraderie with the government. There was a time — not as long ago as it now seems — when this sort of demonstrative show of affection would have acutely embarrassed the government and would have been, for that reason, carefully avoided by the FICCI. Those were the days of 'garibi hatao', of nationalisation of banks, of promises to curb the predatoriness of the large business houses. These are different times. The wholesale trade in wheat has been returned to private traders; the supposedly enormous potential of the large houses for contributing to production and growth stands fully revealed to the government; the Monopolies and Restrictive Trade Practices Commission and other irritants are, therefore, being put out of the way; price controls on a variety of commodities are being liberalised or removed altogether; industrial licensing and other controls on investment are being relaxed beyond the hopes of even industrialists and businessmen.

Spokesmen of private industry and trade have always been pressing for these changes in policies. It is, therefore, understandable that the FICCI should exude a feeling of warmth towards the government. The close rapport between the two was evident at the FICCI's last annual conference in April at which the Federation's outgoing president hailed the government's decision to abandon state trading in foodgrains as demonstrating "the highest level of political and economic confidence" of which only a "fearless and national-minded leadership" could be capable.

Surely, faced with something like a nation-wide strike of railway workers, this "fearless and national-minded leadership" deserves the public support of the FICCI. The Prime Minister will be duly grateful.

Rags Scandal

Guarding the Guards

THERE are reports once again of a rags scandal — interestingly enough, a couple of months before the monsoon, exactly as happened last year. The seasonality of recurrence of the rags scandal can perhaps be attributed to the anxiety of the importers that the so-called rags piled up with the port trust authorities, unless cleared before the rains, will get completely spoiled. The controversy arising out of the importers' hurry to get the rags cleared and the allegedly 'non-co-operative' attitude of the customs authorities in clearing the goods without appropriate scrutiny has drawn attention to the fact that in the name of rags good quality woollen and synthetic garments continue to be clandestinely imported.

That such imports were taking place had been known for long, but the trade grew in volume after the State Trading Corporation entered the field as the canalising agency. Before the STC's entry, the so-called rags trade was going on smoothly as the private importers had established the necessary rapport with the customs authorities. Besides, the volume of trade was small enough to be manageable. As a public sector agency, the STC entered the rags business in a bold way, confident of receiving favoured treatment from the customs. The report of the Kaul Committee on foreign exchange leakages has pointed out how customs authorities are more lenient in dealing with the STC which, being a public sector agency, is deemed to be above suspicion. However, when some of the customs officials got an inkling of the shady transactions by some STC personnel, they understandably wanted a share of the takings. The understanding worked out between the STC and the customs did not apparently function smoothly. As a result, news of the import of garments as rags was leaked out. Another factor which contributed to the exposure was that the so-called rags flooding the markets in different parts of the country hit the sales of Indian manufacturers of woollen goods in a big way.

Despite the exposure of the scandal, the import of rags continued for some more time because the business was a highly profitable one yielding a return of as much as 200-300 per cent on the import costs. Finally, at the instance of the government, a procedure for stopping misuse of the rags import facility was introduced by the customs. Under this arrangement, the customs were to ensure that only genuine rags were imported and that garments in usable condition would be mutilated under the supervision of the customs before they were handed over to the importers. The customs, hand in glove with STC officials, interpreted this directive according to their convenience in many cases. What is considered a rag in such countries as the USA or Australia is very much a usable garment. Once it was certified as a rag at the point of shipping, the customs could make that the ground for clearing the goods.

Since the malpractice continued to grow, the government was forced to altogether suspend the import of rags. It is reported that the CBI probe into

the scandal yielded interesting details about the involvement of both STC and customs officials. The CBI found several instances where the customs had cleared rags in violation of specific departmental instructions that wearable garments should be passed only after mutilation or under bond for mutilation. Of the 18 cases of preliminary enquiry gone through by the CBI, nine were made regular cases. The CBI recommended prosecution of one gazetted officer and one non-gazetted officer of the customs. It also recommended major penalties through departmental action against eight gazetted officers and one non-gazetted officer. It is not known whether these recommendations of the CBI have been carried out, but several customs officials were transferred away from Bombay, the major importing port for rags.

Despite all this, the government decided to resume import rags about nine months ago, and on a much larger scale. Once again the STC was entrusted with the job. It does not come as a surprise, therefore, that the old game of importing usable as rags has been resumed on a big scale. We are now told that the STC would be asked to discontinue the practice of transferring consignments on the high seas to private parties and that the STC would be required to hand over imported rags only after they have been completely mutilated. In fact the STC not only transfers goods on the high seas, but it also leaves the concluding of transactions with foreign exporters to private parties. It merely lends its name as the so-called canalising agency and collects its commission from importers. In addition, its officials collect their own cuts for granting various favours. Finding itself once again implicated in a rags scandal, the STC has struck a self-righteous pose and sought to shift the blame to private parties. It claims to have black-listed 24 firms for breach of rules and regulations regarding import of woollen rags. Does this not amount to admission by the STC that, though import of rags is supposed to be canalised through it, it is really the private importers who arrange the deals with the foreign exporters? In the circumstances, what earthly purpose does the so-called canalisation serve except to make it possible for STC officials to make money on the side?

According to press reports, the STC has now proposed that consignments of 'rags' should be released only after cent per cent mutilation under the supervision of officers of the Textile Commissioner, the Chief Controller of Imports and Exports, the STC and the customs. It is interesting that of the four bodies sought to be entrusted with the task of surveillance, the STC, the Textile Commissioner and the Chief Controller of Imports and Exports are under the control of the Commerce Ministry. The Commerce Ministry's reputation has been already besmirched by its failure to check — and, indeed, by its complicity in — the rags scandal. Nor is this a solitary instance. There was, for example, *art silk export scandal in the* early sixties. The Ministry, and its agencies like the STC and the Controller of Imports and Exports, do not exactly inspire confidence as safeguards against malpractices by importers and exporters.

Vanaspati

Farce of Price Control

THAT the government's attempts to control the prices of commodities have been reduced to a farce is well illustrated by the case of vanaspati. It is not surprising, therefore, that the government should be considering abandoning the price control on vanaspati. However, the reasons advanced for the move — to defeat the manufacturers' efforts to restrict output and to raise the level of utilisation of capacity in the industry — are as farcical as the actual operation of the price control has been.

The fact is that in vanaspati, as in practically every commodity the price of which has been controlled, whether it is steel or fertilisers or cement, the government has neither the will nor the ability to enforce price control. As soon as there is a shortage — and shortages can be, and are, created — manufacturers and traders alike cock a snook at the controlled price and charge what the market will bear. The government has fixed the price of vanaspati consistently below that of raw oil. This ridiculous arrangement could be sustained in the past only by supplying to vanaspati manufacturers low-priced imported oils. A more indefensible attempt to subsidise the relatively well-off, and at substantial foreign exchange cost at that, would be difficult to imagine. Not, however, that the consumer always, or even generally, got his vanaspati at the controlled price. Irrespective of the controlled price, supposedly finely tuned to the cost of production, the market price of vanaspati has been generally above the price of cooking oil — and quite rationally so. In times of shortage, and high prices, of vegetable oils, the benefit of the supply of cheap imported oils has been shared by the vanaspati manufacturer and trader. Large fortunes have been made in the vanaspati industry simply by selling quotas of imported oils in the market.

All these are well known facts. Yet the government has gone about administering its price control with loving attention to detail. For many years now, it has been reviewing the price of vanaspati every fortnight and pretending to offset small fracturations in raw oil prices by finely regulating the release of imported oils, varying the controlled price only in response to major fluctuations in the price of oil. Even so, the controlled price of vanaspati was changed six times in 1973-74, four times upward and twice downward. All this diligent activity was, however, of little consequence to the consumers of vanaspati who have by and large paid a price reflecting the shortage of vegetable oils in general and vanaspati in particular. And production of vanaspati declined from 6 lakh tonnes in 1972 to 4.7 lakh tonnes in 1973 and is expected to be no more than 4 lakh tonnes in the current year.

Now, however, it has become difficult for the government to maintain even the appearance of price control. The government has little stock left with it of imported oils. And even if it decides to persist in the completely indefensible policy of spending foreign exchange to import oils — imported oils currently account for 35-40 per cent of all oils used by vanaspati manufacturers — to subsidise the vanaspati industry, this is no longer possible because of the rise in the international prices of vegetable oils. This leaves the government with a choice between raising the controlled price of vanaspati very steeply, by almost Rs 2 per kg, with the prospect of further increases later and giving up the farce of price control altogether. Faced with alternatives both of which are politically unpalatable, it is just likely that the government may plump for the latter course. However, it will be typical of the double-talk that one has come to expect from the government in such matters if some high-falutin objective — such as improving capacity utilisation in the industry — is put forward to justify the move instead of simply conceding that price control on vanaspati, which was always something of a ridiculous proposition, has now become impossible for the government to operate.

Arrested Expansion

Hansavivek

PHILIPS INDIA is still discussing with the government its long-term industrialisation plan, originally submitted in May 1971 and revised in March 1973. The company's several applications for manufacturing new items and expansion of the present range of products have been rejected. In some cases, applications have been made at the instance of government for clearance under the MRTP Act. The directors are studying the implications of the new Foreign Exchange Regulation Act. The company will have to obtain permission from RBI to continue each of its many industrial, trading and commercial activities. They comment that the new law adds to the already numerous and diverse controls and permissions required for carrying on business. They record their appreciation of the "valuable help and co-operation" received by the company from N V Philips' Gloeilampenfabrieken of Holland and stress the need for continued co-operation and technical assistance in all fields. Of the 44-year-old Indian company's subscribed capital of Rs 679 lakhs, as much as Rs 407 lakhs is held by a subsidiary of the ultimate holding company. Moreover, Rs 326 lakhs out of the total share capital comprises bonus shares. Another one-for-one bonus issue has been recently recommended by the board.

PIL increased exports by about 15 per cent to Rs 119 lakhs in 1973 and has been recognised as an 'export house'. A number of proposals have been submitted for manufacture of electronic components, entirely or mainly for exports, on which government decisions are awaited. During 1973, the company's consumption of imported raw materials, components and spare parts was 17.7 per cent at Rs 225 lakhs. Its imports of raw materials and components amounted to Rs 120 lakhs, spare parts to Rs 15 lakhs and capital goods to Rs 31 lakhs. Expenditure in foreign exchange by way of technical service fees, interest and commission aggregated Rs 38 lakhs. Moreover, remittance of the final dividend for 1972 and interim payment for 1973 to the dominant non-resident shareholder cost Rs 73 lakhs.

The company's 1973 results show contraction of margins despite higher sales. Total dividend is maintained at 24 per cent on the enlarged capital at the cost of earnings cover. Last year PIL installed equipment for manufacture of leading-in wires for lamps and commenced production. It has received industrial licence and capital goods licence for manufacture of high wattage incandescent lamps, infra-red lamps, mercury vapour lamps and halogen lamps. Equipment is being installed and production is expected to commence by mid-1974. The range of gramophone equipment was extended to include a portable system and a high-powered stereo system.

The Week's Companies

(Rs in Lakhs)

	Philips India		Hind Ferodo		Phillips Carbon	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year* 31-12-73	Last Year 31-3-73	Latest Year 30-11-73	Last Year 30-11-72
Paid-up Capital	679	546	248	248	206	206
Reserves	1449	1035	229	216	136	123
Borrowings	848	1220	15	2	—	—
of which Term borrowings	150	150	—	—	—	—
Gross fixed assets	1846	1730	353	336	344	316
Net fixed assets	982	945	191	190	124	113
Investments	2	2	—	—	—	—
Current liabilities	1203	3074	132	144	130	105
Current assets	3195	4921	433	421	348	321
Stocks	1484	1477	248	249	164	124
Book debts	1474	1313	168	158	134	123
Net sales	4645	4480	673	784	485	441
Other income	50	51	3	4	6	1
Raw material costs	2135	1935	213	268	228	185
Wages	775	677	186	215	47	37
Interest	76	79	1	—	1	—
Gross profit (+)/loss(—)	1073	1154	139	181	97	89
Depreciation provision	156	148	20	26	18	15
Tax provision	590	666	73	98	46	43
Net profit (+)/loss(—)	327	340	46	57	33	31
Development rebate provision	15	15	3	2	4	2
Transfer to reserves	149	194	—	—	—	—
Dividend						
Amount	E 163	131	E 43	57	E 33	29
Rate (per cent)	E 24	24	E 17.25	23	E 16	14
Cover (times)	1.91	2.49	1.00	1.00	1.00	1.00
Ratios (per cent)						
Gross profit/sales	23.10	25.76	20.65	23.09	20.00	20.18
Net profit/capital employed	10.98	12.14	9.35	12.23	9.65	9.42
Inventories/sales	31.94	32.97	36.85	31.76	33.81	28.11
Wages/sales	16.68	15.11	24.66	27.55	9.69	8.39

* 9 months.

HINDUSTAN FERODO's chairman, *N Dandekar, expects that the reduction* of non-resident shareholding in the company from 79.9 per cent to 73.9 per cent by sale of a block of shares to Indian parties will smoothen the way for the company's expansion. For some time HF has been endeavouring to find fields in which to expand "to the advantage not only of its proprietors but also of the economy". While permission has been obtained for expansion of the facilities for production of clutch facings, another scheme for manufacture of a sophisticated type of millboard has been turned down. Under the recent Foreign Exchange Regulation Act, the company will have to seek permission, among other things, to carry on its existing business and also to continue to hold its properties. While Dandekar is confident that the required permissions will be readily given, he wonders why so much time and effort must be expended on the administrative work involved. With a change in the accounting year, the company has compiled accounts for 9 months ended December last during which period there has been a perceptible contraction of margins. While the ratio of wages/sales was lower, that of inventories/sales was higher compared to the previous year. Dividend, maintained for the proportionate period, was as before just covered. The board has appointed TBA Industrial Products of the UK as exclusive export agent for five years for the sale of products at 10 per cent commission.

PHILLIPS CARBON has obtained clearance under MRTP Act for promoting a new company. Government has permitted it to participate upto 32 per cent in the equity capital of the new company which has been registered under the name 'Oriental Carbon' to establish a plant with a capacity of 9,000 tonnes per annum. An agreement has also been signed by PC with Gujarat Industrial Investment Corporation, which has got a 'letter of intent' for setting up a plant with an annual capacity of 10,000 tonnes, to form another new company to implement the project. This plant is intended to be located near Baroda. Meanwhile, PC's own application for fuller utilisation of the capacity of its plant at Durgapur is pending clearance by government. During 1972-73, the company produced 27,566 tonnes against 21,292 tonnes in the previous year and the installed capacity of 22,680 tonnes. This was made possible by regular supply of feedstocks throughout the year. For the first time, the company was able to make exports to South-East Asian markets and Japan. The financial results have been satisfactory with higher sales and profits. Dividend was stepped up 2 points to 16 per cent, which, however, was just covered. Prices of carbon black, maintained for several years, were increased recently. The directors point out that production can be further improved only if sufficient feedstock, which is predominantly petroleum based, is available.

CENTRON INDUSTRIAL ALLIANCE, maker of 'Swish', 'Hi-life', 'Platinex', and other brands of stainless steel razor blades, having a major share of the high-priced segment of the blade market, is expanding capacity from 100 million to 250 million pieces per annum at a cost of about Rs 200 lakhs. The 25-year-old company is offering six lakh equity shares, of Rs 10 each, at par to the public in July next to raise part of the finance required for the project. Plans have been chalked out to widen the dealer network and to introduce lower-priced stainless steel blades in the home market and to expand exports. Centron has a technical collaboration agreement with Scots Blade, an associate of Warner Lambert International of the US, and was the first in the world to introduce platinum-edged blades manufactured by the 'sputtering process'. It has been competing with smuggled blades and also has production contracts for 'Ucar' and 'Morning Star' blades, marketed by other well known companies. Manufacture of razor blades apart, the company also turns out a full line of machinery for making blades, besides specialised stainless steel castings, by using scrap from the razor blade division. According to Dilip S Dahanukar, managing director, the proposed expansion of the factory located at Aurangabad, a backward area of Maharashtra, will be completed by the end of 1975. He expects sales to steadily increase from Rs 214 lakhs in 1973 to Rs 542 lakhs in 1979, and profit before tax to rise from Rs 21 lakhs to Rs 74 lakhs in the same period. On this basis, the company should be in a position to repeat the 10 per cent distribution on the increased capital for 1974 and 1975, to step it up to 12 per cent for the subsequent two years and further to 15 per cent for 1978 and 1979. Centron already has a fair growth record. Of the present share capital of Rs 30 lakhs, nearly Rs 28 lakhs comprise bonus shares. Even after the forthcoming public issue, the book value of the Rs 10 share will be over Rs 14.

MILKFOOD, a new company promoted by Jagatjit Industries, is installing a plant at Bahadurgarh in Punjab for manufacture of 4,000 tonnes of milk powder and other products, 600 tonnes of cheese and 3,200 tonnes of ghee and butter per annum. The project cost, estimated at Rs 110 lakhs, will be met by equity capital of Rs 45 lakhs and loans and deferred payments of Rs 65 lakhs. The main plant for manufacture of milk powder, cheese and ghee is expected to go into production by June this year and manufacture of baby food and butter will commence about three months later on receipt of certain imported equipment. The company has been allotted by the Government of Punjab a specified milk-shed area with a radius of 20 miles around the factory for procurement of milk. The company therefore does not envisage any difficulty in getting the basic raw material for its requirements. The management estimates that the company's sales will gradually rise from Rs 200 lakhs in the first year ending March 1975 to Rs 573 lakhs in the fifth year and that in the same period profit before tax should expand from Rs 17 lakhs to Rs 88 lakhs. On this basis, the company should be able to pay a maiden dividend of 12 per cent for the first year and progressively increase it to 20 per cent in the fourth.

MODI RUBBER envisages overrun of about Rs 563 lakhs in its project cost and is offering 'rights' shares at par on a one-for-three basis to raise additional finance of Rs 200 lakhs. IDBI, ICICI, LIC and IFCI have agreed to provide loan assistance aggregating Rs 315 lakhs and PNB and FNCB to give an additional term loan of Rs 24 lakhs each. Out of the additional finance of Rs 315 lakhs to be provided by institutions, IDBI has sanctioned two separate loans, one of Rs 100 lakhs and the other of Rs 40 lakhs. While the former loan of Rs 100 lakhs will not carry any conversion right, the latter loan of Rs 40 lakhs will carry a conversion right of 70 per cent into equity shares of the company. Thus the total amount convertible into equity shares will work out at 20 per cent as originally intended. The overrun has occurred, according to the management chiefly because of adverse fluctuations in the exchange rate and increase in customs duty.

GIAN AGRO INDUSTRIES is setting up a plant near Ganaur in Haryana, for the manufacture of 900 tonnes of guar gum powder, 937 tonnes of guar, split, 4,200 tonnes of un-dehusked chuni and 1,125 tonnes of dehusked chuni. The raw material, guar seed, is available in abundance in Haryana and the neighbouring states of Punjab and Rajasthan, which together account for about 80 per cent of the country's production. The project is estimated to cost about Rs 35 lakhs and is intended to be financed by share capital of Rs 19 lakhs and a term loan of Rs 16 lakhs from Haryana Financial Corporation. The company expects to commence trial production by the end of 1974 and pay a maiden dividend of 10 per cent for 1975.

PERSPECTIVES

Recognition to Teachers, At Last!

Ashok Rudra

T N Srinivasan

OF all the mad steps the Government of India is taking, one after another, and all its disastrous inactions which are causing the economy to burst asunder under the pressure of a runaway inflation, making the process of development grind to a halt, and giving rise to further accentuation of the inequality of distribution of income and wealth, the recently announced pay revision for college and university teachers takes the cake for its stunning quality. Stunning, because it is so puzzling. Various categories of organised workers are agitating for wage increase all over the place. The government has been talking of taking a tough stand *vis-a-vis* all of them. Whether it is the thoroughly justified demands of the jute workers or some of the long-standing genuine grievances of railway workers or the totally unjustifiable demands of Indian Airlines personnel, the government has been at least pretending to resist all of them equally strongly. In the context of this, how to understand the fantastic increases granted to a community that has hardly made any agitation worth the *name*? Readers and Professors have not put forward any organised demands whatsoever for grade revisions. College teachers and university lecturers have indeed been demanding that grade distinctions between lecturers, readers and professors should be removed, allowing whoever joins at the bottom of the lecturer's scale to end up at the top of the professor's scale. But the lecturers' agitation did not in any university go beyond sending up petitions and memoranda. There was hardly any pressure that they could exert before which the government could be thought of as having yielded.

Is this gift of a 25 per cent or so increase at the beginning of each grade and 50 per cent or so increase at the terminal points to be taken in a civilised manner as a belated recognition by the rulers of the country that the teaching profession is after all not less important for society than, say, government service? One wishes that this were so. But it is difficult to give any such interpretation. If it was recognising the worth of the teaching profession, one would have thought of giving a subsistence wage to primary school teachers to begin with. Primary school teachers in different parts of the country have over the years agitated for salaries somewhere near to what a peon in a government office earns — to no avail. Again, what could be the justification of giving such a high salary rise to college lecturers, without touching the pay scales of high school teachers, when one requires about the same qualifications to be a high school teacher as to be a college lecturer? (In addition, to be a high school teacher one has most often to have a degree or a diploma such as BT.) What good can come to the country from such an enlargement of the gap between the level of living of school teachers and college teachers? If primary education constitutes the foundation of the country's educational system, secondary education constitutes its backbone. In contrast, so called higher education — college and university level education — is largely recognised to have developed since Independence along totally wrong lines. Nearly a hundred universities have been opened and colleges have proliferated in their thousands. This fantastic expansion has taken place without any guidelines coming from any manpower planning. The result is the phenomenal increase in the number of the educated unemployed. What is called for in higher education is its total overhauling. It is derisory to talk of recognising the worth of education when one leaves the lot of primary school teachers and secondary school teachers untouched and, instead of overhauling higher education, only announces a big pay rise for college and university teachers.

Forgetting for the moment primary and secondary education, can one say that the pay revision is likely improve the standard of teaching in colleges and universities? There are two questions to answer here. Would better talents be drawn to the teaching profession, now that the profession is more paying? Secondly, would the existing teachers teach better as a result of enjoying easier and, in the case of professors, more affluent standards of life?

Before giving an answer to these questions, it may be worthwhile to remember that it would be wrong to measure the level of living of teacher in higher education solely in terms of salary. There are various benefits, perquisites and advantageous service conditions that are exclusive to the teaching profession. Thus, college and university teachers enjoy vacations which are denied to all non-teaching professions. Even during term time, the amount of work which even the most hard-pressed college lecturer does bears no comparison with the work that has to be done by senior engineers or doctors or by anyone in, say, the banking profession — whether a bank clerk or a bank manager. It may be said that the vacations, off-days or off-hours that teachers enjoy are meant to provide them with the time and opportunity to equip themselves for their teaching. It may sound harsh but that is however not the way the sparetime of teachers gets mostly utilised. Again teachers can and do make extra income be various means like correcting examination papers, writing text books, etc. University level teachers get increasing opportunities of going abroad for studies or for teaching, incidentally making no small extra income in foreign currency. Then there are more and more conferences, seminars and refresher courses which provide opportunities to teachers to travel around the

country at the expense of the tax-payer.

Let us now turn to the questions we set ourselves: can the pay rise be expected to lead to an improvement in teaching standards? It is indeed conceivable that some talents are going away to the government or to the private sector because of the higher emoluments available in those sectors. This can be neither proved nor disproved. (There is incidentally no evidence in this country, as there is, say, in the United States, of top level scientists working in the private sector rather than in educational institutions.) But it is doubtful that diverting some of these talents to the teaching profession would raise standards in higher education. That is because the problem of standard in our higher education is not one of too few talented teachers, but one of too many untalented and unmotivated ones. The bane of our higher education is that there are too many universities and too many colleges, too many lecturers, too many readers and too many professors. Most professors in our country would not qualify to become readers in our own best universities or lecturers in any good university in the educationally more advanced countries. Most lecturers in our colleges and universities would not qualify to be teachers in our best high schools. The problem of standards cannot therefore be solved by adding a few talented persons to this sea of mediocrity. Considering that the country really requires much fewer colleges and universities it is doubtful that we require more talents to come to the profession. What is required is to screen the untalented or the unmotivated from entering the profession. This role of screening is at present done to some extent by the very fact of the teaching profession being considered less lucrative than government service or private sector jobs. This has meant that the talents that have come to the teaching profession have come because of a certain academic motivation. The best teachers in our higher education could all earn more by going over to other professions; but they prefer the way of life of a teacher. The increased flow of talent that would hypothetically take place as a result of economic attractions would, by the very fact of this attraction, be bereft of these values and this motivation. In this connection, one can mention also the problem of brain-drain: would the pay rise reduce in any way the volume of the drain? There are no reasons to expect this given that the differential between the emoluments in the country and in the more advanced foreign countries is so large that the pay rise that has been announced is unlikely to have any impact on those who get drained out on account of that differential.

We can now take up the second question: would the standard of teaching of those already in the profession go up because they will be paid more? This would imply that the teachers now have such a hard life that it reduces their teaching quality. It is a highly doubtful proposition. It may be argued that college teachers often have so much lecture-load that they do not get enough time to study and to improve their knowledge, so that the quality of teaching suffers. To the extent this is true, what is called for is lessening of lecture-loads — it is not clear how a salary increase will give lecturers more time or opportunity to acquire knowledge. In this connection it may be emphasised that whether there is excessive lecture-load for college teachers or not, there is certainly no such problem for university teachers. UGC norms are 16 hours per week for lecturers, 12 hours per week for readers and 7 hours per week for professors — an hour being mostly of less than 60 minutes duration. In many universities actual loads are much less than these norms; also, even outside the vacations, there are lean seasons when teaching is partly or wholly off.

Can it be said that university teachers are so harassed by their material worries that they cannot settle down peacefully to their academic pursuits, so that improving their living standards would improve their teaching? Once again, if there is any truth in this proposition that would hold only for teachers at the lecturer's level. Readers and professors enjoy eminently comfortable lives by this country's middle class standards. To believe that their teaching or research would improve if their living standard is made to go up further would require acceptance of the proposiiton that there is a positive correlation between living standards and scholarly pursuits.

Is there such a positive correlation? There is not much evidence in the country that would tend to support the hypothesis. Thus, the two universities that had marked themselves out in the past for their outstanding contributions to the advancement of knowledge are those of Calcutta and Bombay. These two universities in their days of glory did not provide their staff with any quarters, nor did they even pay house rent and other other allowances amounting to anything comparable to what the Central universities do now. In contrast many small town universities provide their teaching staff with extensive and luxurious residential accommodation, sometimes in the true style of empire-day civilians; yet they have never managed to attract any talent to them.

The University Grants Commission, however, seems to very much subscribe to the theory of a positive correlation between easy living standards and high scholarly pursuits. It has always been extremely generous with respect to the living standards of teachers of the universities of Delhi, Aligarh, Banaras and Visva Bharati and is now exceeding itself in extravagance in the case of the Jawaharlal Nehru University. Of this, the last mentioned has yet to justify its existence; among the earlier ones, the record of Visva Bharati is one of steep decline of academic standards since the the days of Tagore, strictly in inverse proportion to the increase in the material well being of its staff; Aligarh and Banaras have become homes for all kinds of intrigues and troubles. Delhi University has done well in many fields, but its record is not comparable to those of, say, Calcutta at its height (which, of course, is long past). The UGC is not, however, consistent in its policy regarding material incentives for scholarly pursuits. For if material incentives have to work there has to be matching of rewards with performances. It would, in this frame of logic, make more sense to provide for higher payments to teachers in a university of well established standards than to those in one known for its poor standards. Also, the philosophy of material incentives would call for the provision of efficiency bars in all the grades. It is pointless and discriminatory that efficiency bars are provided for in the new pay scales only for College Lecturers.

There is, however, evidence to the contrary — of high academic standards going with a spartan attitude towards the question of living standards of teachers. There is only one subject in which India enjoys standards in scientific achievements comparable to that of any other country in the world and that is Statistics, and this is undoubtedly due to the enlightened leadership of the late P C Mahalanobis. It was a matter of deliberate and systematic policy with that great academic

leader that he selected young scientists to take under his wings and provide research opportunities on the basis of a dual criterion of talent and motivation. He checked the motivation by explicitly stating to the young scientist at the time of recruitment, "I shall give you just enough to survive; if you want money, go elsewhere". It is a matter of record that not many young scientists whom he thus gave opportunity to work under his benign guidance left him to go elsewhere for more money.

The pay revision cannot, therefore, get any foothold on any argument in terms of academic standards. It is a welfare measure pure and simple. The question is why should this particular community be made to benefit so much, when so many other organised groups of workers are struggling to prevent their living standards from falling and not succeeding and when the vast majority of the unorganised groups are not in a position even to do anything to halt the inexorable process of pauperisation in which they are caught? Even ignoring the broad masses, unorganised and organised, why this measure that would cause so much accentuation of inequality within the small world of education itself? What about the gap that would be created between the levels of living of teachers in Central Universities and Centrally financed institutions and universities, colleges and institutions financed by state governments, given that the latter may find it impossible to increase their budgetary allocations on revenue account since the Centre has promised to shoulder this burden only for five years? What about the accentuation tension that already exists in the campuses between the so-called academic and the non-academic staff? Will the universities be in a position to give any comparable pay rise to all the non-academic workers amongst whom the teaching community works and lives? And this other category includes not only clerks and officials of the administration and accounts departments but also library staff and research staff belonging to certain centres attached to Universities.

One possible explanation for the phenomenon is that a lobby of Professors exercising its influence over the UGC and the Education Ministry has seen to it that in these hard pressed days they do not get stuck at a mere basic of Rs 1,600 (or at the maximum at the Senior Professor's ceiling of Rs 1,900) but can go up to some more comfortable income ranges; and in order to do that they had to make concessions to Readers and Lecturers as well.

Another explanation suggested by such recent examples as the raising of salaries in UP just prior to the state elections would be that the government is out to buy off the teaching community at the level of higher education. Government in this country has no employment policy, only an incomes policy for those who are already employed in the organised sector. In this it has been helped by the working class movement that has restricted itself to the narrowest form of economism — almost exclusively to wage demands — and not cared too much about the unemployed nor, contrary to their professions, aimed at knocking at the capitalist foundations of the regime. Given this, the government has developed the policy of yielding to wage demands when they cannot be resisted any more, whereas its attitude towards the unorganised masses in the process of pauperisation has been one of "Let the devil take the hindmost". Within the section of organised working people, the government has understandably seen to it that government servants remain a privileged class. Government servants get houses at the taxpayers' expense, cars at the taxpayers' expense, medical reimbursements at the taxpayers' expense and also such things as free passes to Radio Sangeet Sammelans and and things of that kind organised at the taxpayers' expense. This is, of course, understandable, for bureaucracy, wherever it exists, is allowed to fatten itself on the misery of the people at large so as to provide secure support for the regime.

It may be argued that the government is finding it necessary for its stability, during these troubled and uncertain times, to buy off a few other communities. The economic crisis in the country has taken such a shape and such dimensions that the country is in for a series of explosions of popular anger, examples of which have already been seen in Gujarat and Bihar. These explosions would work themselves out and not touch the foundations of the regime as long as they remain without any political direction.

If the intellectuals of the country are allowed to get engulfed by the economic crises and if they are led by desperation to join the agitating masses, there could conceivably be the emergence of such guidance and leadership. So this class has to be isolated from the masses. With the pay revision announced, the government may rest assured that most teachers in higher education will find themselves fiddling while the rest of the country burns.

Post-script: If this line of our argument is correct, one would expect some steps by the government to placate the student community also. Lo and behold, as these lines get written, the news arrives that the government has announced certain economic benefits — the right to purchase whatever they want at a discount — for a section of students. It should not surprise anybody that a beginning in the giving of such largesse should be made with the student of the Jawaharlal Nehru University, probably the most pampered student in the country.

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FROM OUR CORRESPONDENTS

NEW DELHI

Soviet Doubts about Steel Programme

WHAT prompted the Economic Counsellor of the Soviet Embassy in New Delhi to call a press conference and publicly blame Indian organisations and the government's policies for the delays in the implementation of the steel programme, particularly the expansion of the Bokaro and Bhilai steel plants? This question is being widely discussed both in the government and outside. Though the Steel Minister, when questioned in Parliament, tried to play down the episode, more is likely to be heard about it in the days to come. Soviet officials are generally very discreet and very protocol-conscious. In private they are known to be very blunt and are often severely critical of working conditions in, and efficiency of implementation of, Soviet-assisted projects. They also insist on compliance with all their terms for providing assistance. However, in public they maintain very correct behaviour.

One possible explanation for the Economic Counsellor's departure from normal Soviet standards of propriety could be that the Russians are becoming seriously worried about the long delays in the implementation of Soviet-aided projects in the steel industry. This would be quite understandable in view of their close and long-standing association with our steel programme, in which the expansion of the Bhilai and Bokaro plants occupies a special place. The delays in the implementation of these projects, therefore, hurts their image and reputation. However, these delays are not a new development. The first phase of construction of Bokaro upto the 1.7 mn tonne capacity stage, for which agreements were signed with Soviet agencies as far back as in early 1965, is not likely to be completed before 1976. This will be nearly three years behind even the revised schedule, set in 1970, to complete the work in 1973. Similarly, there has been an equally long delay in the case of expansion of Bhilai to 4 mn tonnes. This was a Fourth Plan project and a provision of Rs 98.80 crores had been made for it in the Plan. However, actual expenditure on the project during the Fourth Plan was only Rs 16.74 crores and the deadline for its completion has been shifted to September 1978. The Soviet Economic Counsellor was particularly unhappy about the latest shift of the target of completion from December 1976 to September 1978. He maintained that this was entirely the fault of the Indian agencies involved.

The Steel Authority of India, the Steel Ministry and the project managers concerned have carried out their own detailed review of the progress of the projects. Not surprisingly, their review has laid a part of the blame for the delays on the Soviet side. In regard to Bhilai expansion, for instance, the review has held that there had been delay in the delivery of technical data by the concerned Soviet agencies who are the prime consultants for the project. Another reason for the delay, according to the review, was the Soviet suggestion of continuous expansion of the project to 7 mn tonnes which required updating and revision of the technical parameters for even expansion to 4 mn tonnes. It is possible that the Soviet Counsellor was countering these criticisms of the Soviet Union. He said that the Soviet organisations had stuck to the December 1966 schedule for the completion of the Bhilai expansion project and had been fulfilling their obligations accordingly. However, "now, according to the information we have, the question of postponing the completion of this stage till 1978 is under consideration".

If the Soviet diplomat had confined himself to these remarks, he might not have attracted much attention. But he went on to say, by way of clarification, that "we do not feel any reluctance on the part of the Indian Government" towards the expansion programmes but some "unwillingness on the part of certain quarters" in the government. His criticism was obviously directed at officials of the Steel Ministry. There have been reports that senior officials in the Ministry favour giving preference to the expansion of TISCO to that of the public sector plants, including Bokaro and Bhilai. The Russians are also known to be not very happy over the decision to commission Nippon of Japan for preparation of the feasibility report for the TISCO expansion with the possibility of subsequent collaboration with Nippon in the execution of the project. The feasibility report by Nippon, which is now under examination by a Steering Committee set up for the purpose, has been found to suffer from many shortcomings. Its estimates costs are believed to be inflated and its assessment of the import content inordinately high. The cost estimate is Rs 1,700 crores for expansion from 1 mn tonnes to 5 mn tonnes. Even if the cost of related facilities such as the development of coal and iron ore mines are excluded, the cost of the expansion will run to Rs 1,300 crores. However, TISCO expansion may still get the support of the Steel Ministry unless the Tatas themselves have second thoughts about associating Nippon with the expansion on the basis indicated by the latter.

The most notable part of the Soviet Counsellor's comments at the press conference was his criticism of the performance and capabilities of the Heavy Machine Building Plant at Ranchi and the Metallurgical and Engineering Consultants of SAIL, specially the latter. It may be argued that the Russians may have an interest in understating the HMBP's ability to manufacture machinery and equipment. This would justify larger imports of Soviet machinery and equipment. On the other hand, the HMBP is heavily dependent on Soviet collaboration and so the Russians cannot be very happy with having to publicly criticise its performance. Equally surprising was the criticism of MECON and the doubts expressed by the Soviet diplomat about its ability to complete in time the "massive design work" work for the Bokaro and Bhilai projects.

MECON, formely the Central En-

gineering and Design Bureau of Hindustan Steel, has a tight and exclusive collaboration tie-up with the Gipromez of the Soviet Union. After the collaboration arrangements between MECON and Gipromez had been concluded, the Russians have been trying for the past several years to get MECON placed in key places wherever Soviet financial and technical collaboration arrangements are involved. They even insisted on inducting MECON for their part of the Korba aluminium project, displacing the National Industrial Development Corporation which had been working on this project on the Indian side since its inception and was known to have done good work and acquired a degree of expertise in the field. Yet the Russians favoured MECON even though non-ferrous metallurgy is not its main field.

The Soviet Union's preference for MECON is easy to explain. The association of MECON in Soviet-aided projects provides some kind of a cover for what are essentially turnkey arrangements for their construction. The Russians can then hope to have things their way without interference of questioning by Indian technical agencies. The Korba project is only one case in point. It has again Soviet insistence which brought MECON into the Bokaro expansion project in preference to Dasturco, the other Indian design and engineering agency in the field. The present position thus is that MECON has been assigned almost the entire engineering work connected with the steel programme. As a result, MECON is overstretched, while Dasturco has been complaining of underutilisation of its capacity and expertise. The chairman of SAIL had some time back mooted a proposal for SAIL acquiring some shareholding in Dasturco. This was intended to make it easy to associate Dasturco with the public sector steel programme. The proposal, said to be acceptable to Dasturco, has not made any progress for nearly a year now, reportedly because of reservations on the part of MECON.

In these circumstances, it is most curious that the Soviet Union should suddenly turn round and question MECON's ability to undertake work assigned to it by the Soviet agencies and to attribute to this the delays in the execution of projects. A logical sequel to this criticism should be that the Soviet agencies and the Steel Ministry should be ready to review the present consultancy, design and engineering arrangements for the various Soviet-aided projects and permit greater participation of expertise available in the country to speed up their execution.

MAHARASHTRA

Sudden End of a Movement

THE Marathwada Janata Vikas Kriti Samiti has announced the postponement till August 15 of the agitation for the speedy economic development of Marathwada. The Samiti will, however, intensify its agitation should the state government fail to implement the measures announced by it and fulfil the promises made to representatives of the Samiti and the Students' Co-ordination Committee during their their week-long discussions in Bombay from May 5 to 11 with Chief Minister V P Naik, his Cabinet colleagues and other prominent Congress leaders.

The Samiti's decision is further proof that the agitation, in which four persons lost their lives in police firing in April, was very largely a manifestation of factional politics within the Congress party in Marathwada. However, first let us briefly review the meeting of representatives of the Kriti Samiti and the Students' Co-ordination Committee with the Chief Minister and other Congress leaders. The measures announced by the Chief Minister after the meeting are exactly the same as those announced by him on April 24 after he had met MPs, MLAs and Congressmen belonging to the faction of the Marathwada Congress led by Kalyanrao Patil, Minister of State for Industries and Tourism. This faction is pro-Naik and is opposed to Shankarrao B Chavan, Minister for Agriculture and an aspirant for the Chief Ministership, who is the leader of the other faction in Marathwada Congress. The Shankarrao faction, led by Baburao Kale, MP, and Balasaheb Pawar, MLA, has been the main force behind the recent agitation.

The Chief Minister has announced that the state government would take immediate steps to start five co-operative spinning mills, one in each of the region's five districts; set up one composite textile mill in the state sector; recommend to the Centre that two major public sector projects should be located in the region in the Fifth Plan period; modernise and expand the government-run textile mills at Nanded and Aurangabad; and persuade the private sector to establish a baby-food factory at Nanded. The state government would take steps to secure funds from the World Bank through the Centre for expediting the work on the second stage of the Jayakwadi irrigation project and, till the World Bank's assistance is available, make available funds from its own resources. The state government would try to secure the speedy clearance by the Centre of the region's pending major irrigation projects, namely, Nandur Madhyameshwar, Sina-Kolegaon, Manjra and Upper Vainganga. The government would take steps to start a medical college in Ambejogai, in addition to the opening of an institute of science at Aurangabad and examining a proposal to set up a university sub-centre in consultation with the University Grants Commission. The government would urge the Centre for speedy conversion of a number of metre gauge railway lines in Marathwada into broad gauge lines and for starting work on many new lines.

The state government has undertaken to collect facts and figures about the economic development after November 1956 of all the five districts of Marathwada along with comparative data for districts in the other regions of the state and place them before the representatives of students and the Kriti Samiti so as to remove the feeling that any injustice has been done to Marathwada. It has also been announced that the state government would soon appoint an officer of the rank of secretary to the government to investigate all cases of alleged injustices to government employees from the Marathwada region. This officer would submit his report to the government within three months and the government would announce its decision on the report within two months of its submission. Finally, the state government would request the Centre to double the maintenance scholarships given to scheduled caste and scheduled tribe students.

Chief Minister Naik, however, rejected the demand for setting up a regional committee for Marathwada on the pattern of the regional committee for the Telengana region of Andhra Pradesh. Naik also rejected the demand for withdrawing cases against students involved in the agitation. He maintained that it was the government's firm policy not

to withdraw cases involving arson, loot and assault on public servants.

At the end of his discussion with the Chief Minister and his Cabinet colleagues, Govindbhai Shroff, leader of the Kriti Samiti, declared that he was "satisfied" with measures announced by the government and for good measure added that he was "convinced" that the Chief Minister and the government had tried to do whatever was possible in the circumstances. These sentiments were shared by the leader of the Students' Co-ordination Committee, Dwarkadas Pathrikar, who said that the government had adopted a "generous attitude" towards Marathwada's demands for speedy economic development.

Except for the decisions relating to the starting of a medical college and science institute and making funds available for the Jayakwadi irrigation project and the setting up of a composite mill in the state sector, fulfilment of the rest of the promises is not in the hands of the state government but will depend upon the Central government and the private sector. For starting a co-operative spinning mill in each of the five districts of the region, the state government can be of help only in providing finance, but the matching capital and the necessary organisational and entrepreneurial effort will have to come from the local population.

The measures announced by the state government for Marathwada's development do not, therefore, seem to be the main reason for the decision of the Kriti Samiti and the Students' Co-ordination Committee to hold off the agitation till August 15. As mentioned earlier, the moving force behind the student agitation was the Shankarrao Chavan faction in the Congress led by Baburao Kale and Balasaheb Pawar. Kale and Pawar had succeeded in bringing Govindbhai Shroff and Anantrao Bhalerao, editor of the influential regional daily *Marathwada*, into the movement only to give it the appearance of wider support. However, the pro-Naik faction of the Marathwada Congress was able to persuade the Central leadership of the party to put pressure on Kale and Pawar and to make it clear to them that any attempt by them to launch an agitation against their own party's government in the state would attract severe disciplinary action. Y B Chavan is believed to have told Kale and Pawar and their supporters that by their open participation in the agitation they were undermining the Congress party organisation in the region. The threat evidently worked and Kale and Pawar have been persuaded to put their agitation in cold storage for the time being. At the same time, it was suggested to Shankarrao Chavan that he had very good chances of succeeding Naik as Chief Minister and that these chances might be jeopardised if the impression gained ground that an agitation against the government had his blessings. This too had the effect of quieting Kale and Pawar.

It is to be seen now whether the Kriti Samiti of Govindbhai Shroff and the Students' Co-ordination Committee will be able to resume the agitation from August 15 without the backing and resources of Kale and Pawar.

NORTH

In Financial Trouble

STRANGE as it may seem, Punjab — India's most prosperous state with an annual per capita income of Rs 995 — faced a financial crisis in the post-budget period this year. The Reserve Bank's refusal to grant more overdrafts to the state government was the first indication of trouble; then came the sudden announcement of a sizeable tax package designed to net Rs 13 crores (the doubling of the truck token tax was later withdrawn). The government also resorted to the unusual step of asking local corporate and other semi-autonomous bodies to deposit their funds in the state treasuries and not in commercial banks. The not very credible explanation offered was that this would prevent the Punjabis' money from being transferred to other regions for development purposes and would ensure reinvestment of the money within the state itself. The advice to public corporations and semi-government institutions to put their funds in treasuries would, however, mean depriving them of interest. Nor has the government acquired any legal power to compel these institutions to comply with this directive.

The Finance Minister claimed to have overcome the government's financial problems through additional mobilisation of resources and by gearing up the tax collection machinery. The overdraft with the Reserve Bank had been liquidated by May 7. What the Minister did not mention was that the Centre had baled out the state government by enhancing its borrowing limit.

But it is not being temporarily in the red that is important. It is the factors that brought about the situation that call for notice. These include reckless expenditure as well as ever-increasing liabilities on account of payment of higher dearness and other allowances to government employees. A former Punjab Finance Minister has alleged that although the state government has denied scrapping of any welfare scheme in recent months, several such programmes have in fact had to be cancelled owing to the paucity of funds. The present Finance Minister, Hans Raj Sharma, admitted earlier this month that the frequent DA hikes by the Centre for its employees had "almost pushed Punjab into bankruptcy". During the last two years, the state government had to pay Rs 40 crores additionally to its staff following the periodic revision of Central DA rates. He intended to take up the matter with Y B Chavan soon.

Cost of Image-Building

In 1972 the Haryana government too had been in serious financial difficulties and had to be similarly baled out by the Centre. The Reserve Bank had pulled up the state for its overdrafts amounting to Rs 30 crores, but was later prevailed upon to show greater accommodation. The basic cause, of course, was the lack of fiscal discipline which manifested itself in thoughtless expenditure, in part for political ends. The state government's massive outlays on rural electrification, irrigation and other projects, all in a bid to maintain the tempo of development, had depleted the treasury. So busy was Chief Minister Bansi Lal with his image-building drive that he took no notice of the Finance Ministry's advice to observe restraint.

Haryana is the country's second most prosperous state with a per capita income of Rs 829, but its finances were in such poor shape that payments due to contractors, rents of private buildings occupied by government offices and even refunds of securities and other types of deposits were held up for months under the Chief Minister's orders. All these measures had created a general impression of financial bankruptcy.

Like Punjab, Haryana also complains that the major portion of the deposits mobilised by commercial banks within the state are spent outside the state. Himachal Pradesh too has now joined

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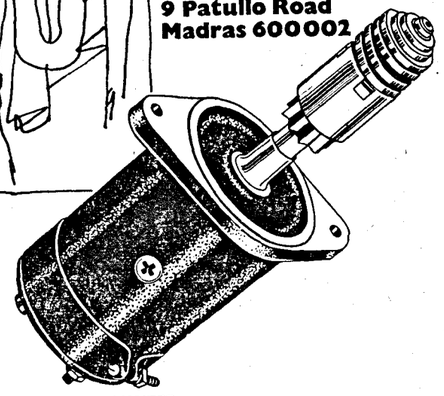
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this chorus. Deposits of commercial bank branches situated in the sprawling state amount to about Rs 34 crores, but the credit extended within the state comes to less than 15 per cent of this amount. Chief Minister Parmar recently suggested that the Reserve Bank should issue a directive requiring banks to invest a reasonable proportion of any state's deposits within the state. Thus alone, he thought, could the financial drain from the less developed to the developed regions be stemmed.

TA-DA Bonanza

Himachal is still a backward state and so there is all the reason in the world to avoid leakages of funds and squandering of public money. However, the way most of its Ministers try to build up neat piles for themselves at the public cost is striking. Their disproportionate and inflated TA and DA bills have been the subject of much opposition comment in the state assembly. The Forest Minister drew Rs 3,104 as TA-DA in one month alone, his total for seven months and 17 days in 1973-74 being Rs 21,345. The chief parliamentary secretary is stated to have received Rs 2,117 per month between April 1973 and February 1974. Many of the lengthy official tours which the Ministers undertake almost round the year are not justified by administrative or even political exigencies. According to a report, all except two Ministers have taken loans from the government to buy cars and their effort seems to be to clear the loans as soon as possible by "earning" more and more TA while the sun shines.

Total unconcern for economy in expenditure is also apparent in the inflation of administrative personnel — the bureaucratic bulge — throughout Himachal. The Commissioner for Finance has admitted in his explanatory note to the 1974-75 budget that the state's total wage bill is disproportionately high compared to its domestic receipts. The Sixth Finance Commission's award covered in full the state's revenue gap on the basis of the June 1973 pay structure, with extra provision for later hikes. The chairman, however, sounded a note of caution to the state government and said that the massive expenditure on administration (101 per cent of the domestic receipts) weakened Himachal's case for more Central subsidies. Restraint on staff employment, he said, was a 'must'.

All this notwithstanding, yet another instance of avoidable duplication of posts has been provided by the government's decision to appoint two Inspectors-General of Police along with three Deputy IGs. Political pressure is stated to be the reason for the decision. As a result, like many other branches of government, the police department has also become top-heavy.

SOUTH AFRICA

Election Rites

Karim Essack

IN the recent South African general elections, whites, who alone have the vote, were once again asked to choose how they wanted the 18 million Africans, coloureds and Asians to be ruled. Prime Minister Vorster's ruling Nationalist Party collected 123 seats while the opposition United Party under De Villiers-Graaff trailed behind with only 44. The defeat of the United Party was surprising only because it conceded five seats to the Progressive Party, which now has six in parliament.

Even for the whites, the general elections have become meaningless. For over two decades, the same party has been elected. Before a single vote was cast this time, the ruling party was already ahead of the United Party by 18 seats: out of a total of 171, it secured 31 seats unopposed. The United Party too was returned unopposed in 13 constituencies. In other words, there was no voting in 44 constituencies or for about 30 per cent of the white electorate.

The success of the Progressive Party can be attributed principally to the backing given to it by the industrialist, Harry Oppenheimer. Only last month, Oppenheimer's Anglo-American Corporation absorbed the key Schlesinger organisation. Thus Oppenheimer, besides cornering the mining industry, controls 40 per cent of South Africa's institutional credit. Without his financial support, the Progressive Party would not have won a single seat.

Choosing between the ruling Nationalist and the opposition United Party is like choosing between Tweedledum and Tweedledee. The former believes in *apartheid* and *baaskaap* (white rule) while the other stands for white domination with justice! The Nationalists advocate Bantustans while the United Party peddles the idea of a federation of territories. A prominent Nationalist Cabinet minister explained the policy differences thus: "I would prefer a bull which is fenced in than have a black mamba around my neck". The Progressive Party on the other hand believes that the only way to ensure white supremacy in South Africa is to give a tiny black elite the vote. These will be 'civilised' blacks who have passed stiff educational tests.

The other minor parties which put up candidates were the Hersigte National Party (HNP) and the Democratic Party. In the 1970 elections the HNP grew into a force to be reckoned with. It was labelled as consisting of the *verkramptes* — the diehard conservatives. The HNP believes that the Nationalist Party has betrayed the ideals of Afrikaanerdom because it has made too many concessions to the blacks. The HNP stands for *baaskaap*, now and for ever. It is anti-communist, anti-Catholic and anti-liberal. It wants a rigid Calvinistic state where there will be no equality between white and black in either state or church.

The Democratic Party is led by Theo Gerdener, an Afrikaaner. He was at one time the administrator of Natal province. He was invited by Vorster to join his Cabinet and for a few years served as Minister for the Interior. One could call him the Spinola of South African politics. He too does not believe in military solutions and advocates that the blacks have to be divided in order to perpetuate white domination. Gerdener has said publicly that he is against petty *apartheid*. He is realistic enough to realise that once you dig deep enough very few Afrikaaners can be said to be 100 per cent white. More importantly, he believes that it is wrong to drive the 2,000,000 coloureds and 500,000 Asians into the black camp. He wants to incorporate the 2.5 million "brown citizens" into the white bloc. If his proposals are ever accepted, it will not result in four million whites opposing 18 million people, but 6.5 million white and brown citizens facing 15.5 million Africans.

Another party which announced its intention of putting up candidates was the Alliance for Radical Change, but it did not get very far. The dreaded South African police stepped in, tore up

its posters and before its election meeting could start, arrested its supporters and bundled them into police vans. The crime in the eyes of the ruling party was that it stood for "Black Majority Rule Now".

If the results of the elections were predictable, it is because voting in South Africa has always been along racial lines. Afrikaaners form 65 per cent of the white population of four million; the English-speaking whites make up the rest. While the Afrikaaners back the Nationalist Party, the latter until this election have been voting for the United Party. Now the Progressive Party has captured a fraction of the English-speakers' vote. Nevertheless, if the racial pattern of voting continues, the Nationalist Party is assured of forming a government indefinitely.

However, the elections come at a time when there is a new awareness growing amongst the oppressed. The spectre of the 'black proletariat' which has been haunting the Nationalists ever since they came to power 26 years ago has now cast its shadow on South Africa with a series of well-organised labour strikes. Their impact has been such that even Vorster now talks about bridging the gap between white and black workers.

In the coming struggles ahead, it is these workers, together with the peasants and other sections of the oppressed who will come to the fore. It is this force, and not the whites-only general elections, which will remove the deeply entrenched rule of the Nationalist Party.

Continued US Perfidy in Indochina

Harish Chandola

THE Paris Agreement on Vietnam stipulates: "The US...will not continue its military involvement or intervene in the internal affairs of South Vietnam" (Article 4). The Agreement also stipulates that the dismantlement of all US military bases in South Vietnam shall be completed within 60 days of the signing of the Agreement (Article 6), and the two South Vietnamese parties shall not accept the introduction of troops, military advisers, and military personnel, armaments, munitions and war material into South Vietnam (Article 7). The two parties shall be permitted to make periodic replacements of armaments on the basis of piece-for-piece, of the same characteristics and properties, under the supervision of the Joint Military Commission of the two South Vietnamese parties and the International Commission.

Biggest Airlift

The US has violated all the above-mentioned provisions. Before signing the Agreement, the US had established the biggest airlift in the history of the wars in Indochina to urgently introduce into South Vietnam hundreds of aircraft, tanks, artillery pieces, and tens of thousands of tons of other armaments and munitions at the average rate of 700 tons a day. Nor did the withdrawing US troops take away their war material. The US also did not dismantle its military bases in South Vietnam.

Over the past year, the US has illegally and repeatedly brought in armaments, munitions, aircraft and artillery pieces into South Vietnam to lend a helping hand to the Saigon administration in its sabotage of the ceasefire and of the Agreement. The US has also left behind thousands of military personnel disguised as civilians and has brought in more of them during the past year. At present there are about 24,000 US military personnel disguised as civilians working in Saigon's Defence Ministry, the various branches and services of the Saigon army, police organisations, intelligence agencies and pacification services.

To direct and manage this system of "advisers", the US has disguised its former military organisations as "civilian" agencies. The Defence Attache Office (DAO) of the US Embassy in South Vietnam is a variant of the former Military Assistance Command in Vietnam (MACV); SAAFO (Special Assistant to the Ambassador for Field Operations) is in fact the former CORDS (Civil Operations and Rural Development Support) in disguised form and continues to direct the "pacification" and "Phoenix" programmes; USAID (US Agency for International Development) is nominally an economic agency, but has been for a long time now responsible for training, equipping, and giving advice to the police force of the Saigon administration. As for the four US "Consulates-General" in Da Nang, Nha Trang, Bien Hoa, and Can Tho, and the US provincial "Consulates" established since the signing of the Paris Agreement, they are in fact US commands in the various military regions and provinces of South Vietnam. With such an organisation, the US is actually directing the war and repressive machine of the Thieu administration in the conduct of land-grabbing and "pacification" operations in South Vietnam.

More US Military Aid

US military aid to the Saigon administration after the signing of the Paris Agreement has been even bigger than in war time. The US Defence Secretary, reported to the Defence Appropriations Committee of the US House of Representatives that in the 1973-74 fiscal year, US military aid to South-East Asia totalled $ 4.069 billion, surpassing by far the $ 2.735 billion of military aid to South-East Asia in the 1972-73 fiscal year. Out of this $ 4.069 billion, the appropriations for "the use, maintenance, and purchase of arms" in South Vietnam alone accounted for $ 3 billion. This does not include the military expenditures concealed under other headings and the aid to the police organisation and prisons in South Vietnam. In application of the so-called "strategy of deterrence", the US also maintains big air and naval forces in Thailand and South-East Asia in an attempt to intimidate the Vietnamese and other peoples of Indochina.

Article 21 of the Paris Agreement stipulates: The US will contribute to healing the wounds of war and to post-war reconstruction of the Democratic Republic of Vietnam (DRVN) and all of Indochina. The DRVN-US Joint Economic Commission was formed on March 1, 1973, and held its first meeting on March 15, 1973. After over a month of discussions, the US side unilaterally suspended *sine die* on April 19, the work of the Commission and of the group of experts. The US came back to the meetings of the Joint Economic Commission on June 18, 1973. This time the DRVN and the US agreed on the amount of credit and its use for the five-year plan and towards healing the wounds of war and for post-war reconstruction in the DRVN. However, the US posed political conditions for the signing of the document on the agreed points in an attempt to delay it. And to this day, the US has not resumed discussion on this subject.

Article 20 of the Agreement stipulates that the parties to the Paris Conference shall strictly respect the fundamental national rights of the Cambodian and Lao peoples and the independence, sovereignty, unity, territorial integrity and neutrality of their countries. In Cambodia, right after the conclusion of the Paris Agreement, the US mobilised B-52s and other kinds of aircraft to launch a 161-day bombing campaign with 35,000 sorties and 240,000 tons of bombs dropped in an attempt to destroy the liberated areas. Besides, the US has introduced many more US military advisers and military personnel into Cambodia to directly take in hand the command of the Lon Nol troops. On October 19, 1973, Nixon asked Congress to extend to the Lon Nol administration additional military aid of $ 200 million in the 1973-74 fiscal year. The US continues to use Thailand to train Phnom Penh troops and an airlift from Thailand to Cambodia has been established to supply fuel. According to the Thai newspaper, *Nation*, the US has shipped about 3,000 tons of munitions a month from Thailand to Cambodia.

The US still regularly conducts reconnaissance flights in the air space of Laos, numbering 1,500-2,500 sorties a month. It continues to supply by air the Vientiane army and the US-backed Vang Pao Special Forces with arms and munitions. For instance, on May 7, 1973, Pathet Lao troops shot down a US plane, and captured its US pilot, Emmet Kay, along with six Lao mercenaries. US military and economic aid to Laos has remained high — over $ 350 million a year.

While systematically violating many essential provisions of the Paris Agreement, the US and the Saigon administration, are levelling slanderous charges against the DRVN by saying that it is preparing a major offensive in South Vietnam. Key personalities in the Nixon administration have repeatedly referred to the possibility of "a new intervention of the US Air Force in Indochina". On November 30, 1973, US Secretary of Defence Schlesinger said: "President Nixon has the right to order a new bombing campaign in Indochina". The purpose of the US and Saigon slanders is to cover up their violations, to mislead public opinion and, at the same time, to prepare for new military adventures.

Meanwhile, the PRG issued a statement on March 22, 1974, calling for strict respect for and scrupulous implementation of the Paris Agreement. It also called for an immediate end to the shooting and strict observance of the ceasefire. Saigon, however, rejected this positive offer.

The PRG has also asked that all persons from both sides captured before and after January 28, 1973, be returned not later than June 30, 1974. These captured personnel include over 200,000 men of the Provisional Revolutionary Government and the third political force (parties and religious groups supporting neither the PRG nor the Saigon regime), and more than 15,000 PRG military personnel.

The PRG has also asked for consultations with organisations and personalities of the third political force for the establishment of the National Council for National Reconciliation and Concord, and has proposed that the date for the general election be decided by this National Council and that it should be held not later than one year after the establishment of the Council. But Saigon has ignored the points on the ceasefire and return of detainees and insisted that the general election be held on July 20, 1974 — during the shooting war Thieu is now intensifying all over South Vietnam.

OFFICIAL PAPER

Political Economy of Technology Transfer

Frederick F Clairmonte

UNCTAD, Guidelines for the Study of the Transfer of Technology to Developing Countries: A Study by the UNCTAD Secretariat; New York, 1973; pp 57.

THE mounting peripheralism of conventional economics as taught in our still underdeveloped economics departments is everywhere apparent, as can be seen in the quest for bolder and more coherent answers to the burning historical issues of our times. Samuelsonian economics with its neo-classical alibis and its spindly theoretical scaffolding is little more than a set of refurbished rationalisations of nineteenth century economic liberalism with nothing more to offer, or better still its offerings are so blatantly apologetic and irrelevant that it has earned the contempt of a rising body of academics in the nineteen sixties and after. Curricula need to be revised in the light of new phenomena, notably so with the advent of the multinationals and their dominant role in the framework of contemporary capitalism.

There are many critics who believe that the heavily bureaucratised and trivialised international agencies are incapable, out of sheer inertia and the power struggle in which they are entangled, of breaking new ground and becoming a source of spiritual and institutional renewal. Whatever the rationale of these critics may be, with this small and inexpensive publication we have the subject matter of a new discipline which can easily be woven into the economics curricula of our undergraduate and graduate courses. For this we should render homage to UNCTAD for its contribution in highlighting one of the vital issues of our time, viz, the problems of technology transfer and the anomalies of contemporary patent law. In so doing, it has contributed to raising the teaching and practice of development economics to a new level.

This is a small, factual, highly analytical and exquisitely written publication. It is divided into two sections: the first covering patterns and problems of technology transfer, the second negotiations of transfer agreement and national institutional machinery. With a broad but effective impressionistic brush the authors have given their readers a picture of the mechanics of the transfer of technology, proposed methods of studies at the product group level, contractual transfers of technology and costs of the transfer. With this text younger economists can come to grips with the exciting problems of the role of the multinationals in their interactions with the underdeveloped countries. Indeed, it can be said that the point of intersection where relationships between the multinationals and the developing countries are best revealed is seen in the marketing, distribution and sales of such technology from the rich industrialised countries to the endemically impoverished ones.

The form that such technological dependence assumes can best be glimps-

(*Continued on page* 793)

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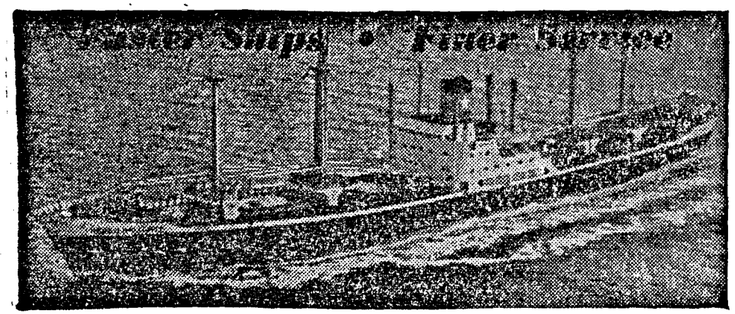
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ed from certain data. The share of the underdeveloped countries in world patent grants was around 6 per cent of the total. But such a statistic is partial since only a small share, i e, only one-sixth is held by the nationals of these countries, the other five-sixths being granted to foreigners. This implies that the nationals of the underdeveloped countries hold no more than about one per cent of the world stock of patents or around 30,000 of the estimated current stock of 3 million valid patents. Here, perhaps, is one of the most gripping indicators of the process of underdevelopment, and one which has never been marshalled in the multitude of development texts in current usage.

Technology transfer is now taking place (if indeed it ever did take place) not according to the laws of the 'simple system of natural liberty' and the vaunted pristine price mechanism, but through the activities of at best a few dozen large multinationals, strikingly so in the chemical and engineering industries which are the lifelines of modern industrialisation. In such a world we are far removed from the *laissez faire* land of Samuelsonian economics where sellers are numerous; capital requirements are modest; a rudimentary technology is generally available and market entry in consequence is not difficult; the products of different sellers are largely substitutable and, in further consequence, no seller has the power to manipulate appreciably the price at which he sells; in other words, where market power is diffused for all sell at an externally and impersonally determined price. This is the Samuelsonian universe in which the Harry Johnsons, the Bauers, and the Friedmans frolic. Reality is different and it is the unequal power between the multinationals and the developing world which is revealed in the burden of technology transfer.

The UNCTAD secretariat has highlighted important data which have a direct bearing on the need to restructure international trade and modify present trading arrangements. Technology dependence is merely one facet of economic dependence and its other corollaries but its financial burden is already significant. The direct costs to the developing countries according to the secretariat's estimates consist of payments for patents use, licences, process knowhow and trade marks and amounted to $ 1,500 million in foreign exchange in 1968. This figure is expected to soar annually by 20 per cent to $ 9,000 million by the end of the seventies — or a six-fold increase. The exploitative dynamics of economic dependence seen through the prism of technological dependence can be better visualised if compared with other magnitudes in the developing countries: 5 per cent of their net investments; 8 per cent of imports of machinery and equipment (excluding passenger vehicles) and chemicals; 37 per cent of service payments on external public debts; 56 per cent of the annual flow of direct private foreign investment, including reinvested earnings; two and a half times the domestic expenditure on research and development. To be sure there are also the *hors d'oeuvre* of external royalty payments which climb as high as 10-30 per cent of sales and salaries for their consultants which, in some cases, are as steep as 50 times those paid to local personnel undertaking similar work.

Indirect Costs

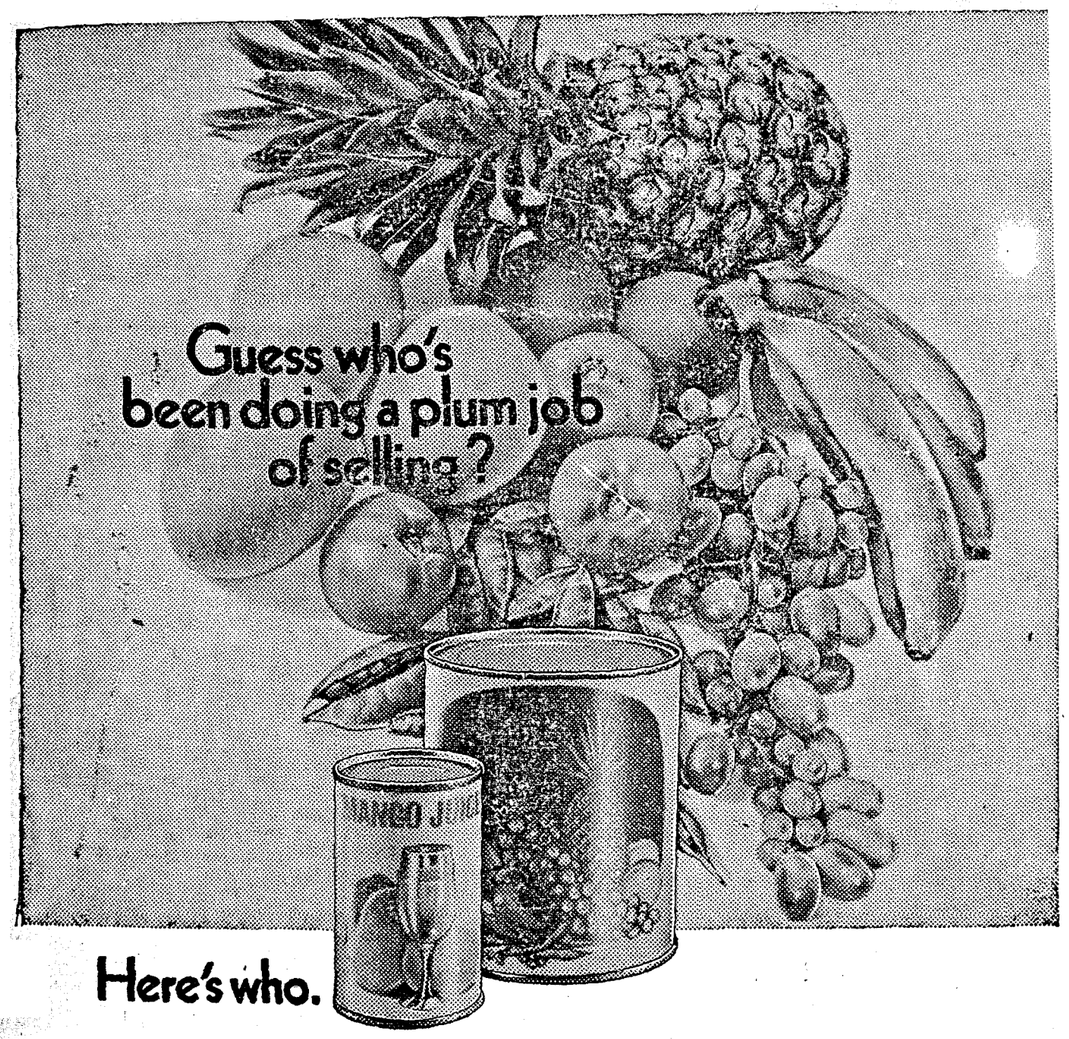
In opposition to the direct costs there are the indirect burdens that assault the underdeveloped countries such as the now increasingly recognised overpricing of imports of intermediate products and equipment; accepting payment for knowhow by shares in the firms of the developing country rather than in cash (foreign exchange); a sustainedly high volume of repatriated profits of the wholly-owned subsidiaries or joint ventures; and price mark-ups for technology included in the cost of imported capital goods and equipment. In short, direct or indirect costs are tantamount to new forms of colonisation.

But if the direct and indirect costs are exploitative there is another aspect which the report stresses namely that "the technologies transferred to developing countries are themselves often inappropriate both as to factor-use and product type. Large-scale transfer of technology from abroad may inhibit development of local technological capability and thus make technological dependence on the developed countries virtually perpetual". The "may inhibit" which is the conventional fetish of the language of diplomacy could well be replaced by the more categorical "often does". With almost maddening understatement the report notes that "there may be a mistrust on the part of developing countries of possible foreign domination, particularly through the operations of multinational corporations. The possibility that national welfare might be affected by economic decisions taken in foreign countries is unpalatable for political reasons to most if not all of the technology-receiving countries". If anything the massive takeovers and strides of the petroleum and other major primary producers has set in train a movement that is irreversible and one which goes under the generic title of 'participation'. The impact of this powerful social current will ineluctably impart fundamentally new impulses to technology transfer and patent law by the end of the seventies or the middle eighties.

This work is recommended at both the undergraduate and graduate level for a variety of courses including micro and macroeconomics, development theory and international trade with special emphasis on the multinationals. It will open new vistas to teachers and taught alike as well as to those planners whose skulls have not become impervious to new ideas through years of repressive orthodoxy, inertia and institutional lethargy. How many developing countries, both large and small, have genuinely studied the political economy of technology transfer — apart from their ritualistic genuflections at international conferences — for the future of their peoples? Such studies would entail not merely defining national policies *vis-a-vis* the multinationals, but also by definition would contribute to outlining new forms of social engineering required for the restructuring of society as a whole.

What a genuine approach to transfer of technology involves is not merely greater international co-operation but a determination on the part of emerging nations to come grips with some of the salient inhibitors of economic growth and development. For those who believe that the multinationals are special creations — fixed and immutable historical categories — unamenable to control by nations and its peoples this book could be jettisoned. But for others it offers the 'theoretical practice' of new designs of social engineering.

It is to be hoped that in a subsequent edition readers of this book will be given more specific national and product case histories. Such pedagogic supplements would enable us to see the generalised unfolding of a historic process. This is all the more mandatory since technology transfer is destined to assume more strident proportions in the seventies — and this slender volume is, indeed, one of the most remarkable thoughtways blazed by an international organisation since the end of the War.



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Pattern of City Literacy

Gopal Krishan

Madhav Shyam

Cities differ strikingly in literacy rates which are related to their location, function, population composition and size. Their literacy rates also have a strong association with the literacy patterns of the areas in which they are located. Cities with a sophisticated industrial base or with a pre-eminence of administrative and educational services display higher literacy rates. Low literacy rates are characteristic of cities in which Muslims or Scheduled Castes form a substantial segment of the population. Broadly speaking, south Indian cities are distinguished by higher literacy rates than the north Indian ones.

THE Indian census classifies all those concentrations which have a population of at least 100,000 as cities and all those persons capable of both reading and writing a simple letter with understanding as literates. The 1971 census shows that 56.4 per cent of the city population is literate. Even if children younger than five years (all of whom are recorded as illiterate)[1] are excluded, the literacy rate would remain less than 65 per cent. This raises a number of questions: Why is a sizeable segment of the population in the cities illiterate? How do the male literacy rates in cities differ from those of female literacy? What have been the past trends in city literacy, specially since the beginning of the century?[2] How do cities differ in their literacy rates with regard to their location, function, population composition and size? This paper purports to investigate these questions.

The reasons for considerable illiteracy in Indian cities are to be understood in the context of the low literacy rate (29.5 per cent) of India's population as a whole. No wonder the migratory current to cities from rural areas as also from smaller urban places consists of a large number of illiterates.[3] The industrial structure of many cities is dominated by labour intensive, large-scale industries which can absorb illiterate migrants. Besides, a substantial proportion of the population in several cities, mostly of smaller size, is engaged in household industries, general labour, etc, for which literacy is not an occupational must. The higher incidence of illiteracy among persons belonging to the older age group, say 35 plus, also has a depressing effect on the literacy rate.

Above all, the excessive illiteracy among females brings down the percentage of literate persons. Of the illiterates in cities in 1971, about 55 per cent were females although they constituted only 44 per cent of the city population. The wide gap between the male and female literacy rates (64.3 per cent and 46.9 per cent, respectively) in the cities conforms to the pattern in rural areas and smaller urban places. Among the migrants to cities, the proportion of literate males is much higher than that of literate females,[4] accentuating the differential in literacy between the sexes. In 1971, about 70 per cent of Indian cities recorded more than half of their female population as illiterate. By comparison, only in five per cent of the cities did the proportion of illiterate males exceed 50 per cent. In fact, there is an inverse relationship between the male-female differential in literacy and the general literacy rate of various cities. If a city has a markedly low literacy rate, this is usually due to excessive illiteracy among females rather than among males. Nevertheless, there is a strong positive correlation between the literacy rates of the two sexes.

Any explanation for existing illiteracy in the cities must take into account

TABLE 1 : COMPARATIVE LITERACY RATES

(Per Cent)

	Total Population	City Population	Capital City Population
State			
Kerala	60.4	68.3	69.4
Tamil Nadu	39.5	61.3	62.1
Maharashtra	39.2	61.2	64.0
Gujarat	35.8	59.1	59.0
Punjab	33.7	57.1	64.5
West Bengal	33.2	57.4	60.3
Manipur	32.9	56.8	56.8
Himachal Pradesh	32.0	—	—
Karnataka	31.5	57.0	59.5
Tripura	31.0	—	—
Meghalaya	29.5	—	—
Assam	28.7	64.5	64.5
Nagaland	27.4	—	—
Haryana	26.9	54.9	64.5
Orissa	26.2	56.0	62.5
Andhra Pradesh	24.6	51.2	52.2
Madhya Pradesh	22.1	53.2	52.3
Uttar Pradesh	21.8	47.2	52.7
Bihar	19.9	51.4	52.4
Rajasthan	19.1	49.1	46.7
Jammu and Kashmir	18.6	39.8	32.5
Union Territory			
Chandigarh	61.6	64.5	64.5
Delhi	56.6	59.0	67.0
Pondicherry	46.0	—	—
Goa, Daman and Diu	44.8	—	—
Mizoram	44.0	—	—
Lakshadweep	43.7	—	—
Andaman and Nicobar	43.6	—	—
Dadra and Nagar Haveli	15.0	—	—
Arunachal Pradesh	11.3	—	—
INDIA	29.5	56.4	67.0

Sources : Census of India Centenary, 1972, Table 12, pp 66-69 and Provisional Population Tables, 1971, pp 83-164.

the backlog of illiteracy. In 1901, only 16.9 per cent of the city population was literate, the figure being as low as 5.4 per cent in the case of females compared to 25.9 per cent for males. Not even in one of the 25 cities was one-fourth of the population literate. Calcutta, the then capital of British India, had the highest literacy rate — 24.8 per cent. Madras ranked next with 22.7 per cent. Bombay recorded 19.1 per cent of its population as literate. In contrast, Srinagar, Jaipur, Delhi, Agra and Lucknow did not record even 10 per cent of their populations as literate.

The percentage of literate persons in cities increased to 25.6 in 1931. The female literacy rate rose faster (5.4 per cent in 1901 to 13.7 per cent in 1931) than the male literacy rate (25.9 to 33.8 per cent) though the former continued being much lower than the latter. Calcutta, with 39.6 per cent literacy, remained at the top. Baroda and Mysore, which were capitals of progressive princely states, Poona and Bangalore, which were emerging as prominent cultural and educational centres, and Howrah, Madras and Tiruchirapalli, which were respectively big industrial, port and religious cities, were the other places in which literacy exceeded 30 per cent. A majority of these cities were in south India. By comparison, most of the cities in north and central India recorded only 10 to 25 per cent literacy. Srinagar had only one literate person in ten, Delhi one in six and Allahabad one in four. Literacy rates were particularly low in cities with large Muslim populations. Looking at the total picture in 1931, more than three-fourths of the population in 17 out of the total of 28 cities were illiterate.

By 1961, the number of cities had shot up to 113 and their literacy rate to 51.8 per cent. Thus, while the city literacy rate had increased by 1.5 times during the first three decades of this century (16.9 per cent in 1901 to 25.6 per cent in 1931), it had doubled during the next three decades (25.6 to 51.8 per cent). This development was in line with the speedier progress of literacy after 1931 in India as a whole.[5] Not only were more people getting educated within the cities but the proportion of literate migrants to them was also rising. The female literacy rate in the cities advanced faster (13.7 per cent in 1931 to 40.7 per cent in 1961) than the male literacy rate (33.8 to 60.7 per cent) during this period. As a result, the gap between the two narrowed, though it still remained quite wide. The previous pattern of higher literacy rates in south Indian cities than in north Indian ones persisted. However, the cities in north-western India, which were marked earlier for their low literacy rates, improved considerably in this regard due, among other factors, to the influx of the relatively more literate non-Muslims from Pakistan and the outflow of many illiterate Muslims in 1947. The literacy rate of Delhi more than tripled from 16.6 per cent in 1931 to 56.2 per cent in 1961. The honour of being the most literate city went to Gauhati which recorded 63.7 per cent of its population as literate. Srinagar was at the bottom of the list with a literacy rate of only 24.8 per cent. It is worth noting that more than half of the population in 50 per cent of the cities in 1961 was still illiterate.

By 1971, the number of cities had gone up to 149 and their literacy rate to 56.4 per cent. The male-female differential in literacy persisted, the two rates being 64.3 and 46.9 per cent respectively. More varied were the differences between the literacy rates of various cities. Alleppey in Kerala recorded 70.1 per cent literacy, the figure being the highest for any city in India. At the other extreme, Rampur in Uttar Pradesh showed the lowest literacy rate of 31.3 per cent. Taking all the 149 cities into account, 42 recorded more than half of their population as illiterate; in 72, the literacy rate ranged between 50 and 60 per cent; and in the remaining 35 cities, the percentage of literate persons exceeded 60. Generally, the cities experienced an improvement in their literacy rates over the

TABLE 2 : LITERACY RATES OF CITIES IN WHICH AT LEAST 25 PER CENT OF THE POPULATION IS MUSLIM

(Per Cent)

City	Muslim Population	Literacy Rate of Total Population
Srinagar	85.6	32.5
Rampur	71.9	31.3
Malegaon	67.5	43.2
Garden Reach	60.4	46.5
Moradabad	51.3	40.4
Burhanpur	46.6	45.6
Shahjahanpur	45.4	33.9
Gulbarga	42.2	46.8
Firozabad	40.0	38.8
Saharanpur	38.6	44.2
Hyderabad	38.1	52.2
Nanded	36.7	43.0
Meerut	36.7	47.6
Bhopal	36.6	52.3
Bareilly	35.8	41.4
Bihar	35.8	39.2
Aurangabad	35.1	54.6
Kurnool	34.4	47.1
Calicut	33.3	65.1
Bijapur	33.2	52.3
Aligarh	33.1	42.5
Bellary	30.4	47.5
Bhagalpur	30.2	47.9
Nizamabad	29.5	39.6
Lucknow	29.5	52.7
Muzzafarnagar	29.3	47.3
Gorakhpur	26.0	53.7
Varanasi	25.9	43.9
Farrukhabad	25.7	43.6
Darbhanga	25.1	43 2

Sources : Calculated from Census of India, 1971, Religion, pp 82-91 and Census of India, 1971, Provisional Population Tables, pp 83-164.

TABLE 3 : LITERACY RATES BY SIZE OF CITIES

(Per Cent)

Size of Cities	Persons	Males	Females
Population 500,000+	58.1	65.3	49.0
Population 250,000 to 499,999	54.8	61.2	47.4
Population 100,000 to 249,999	53.5	62.6	43.1
All cities	56.4	64.3	46.9

Source : Calculated from Census of India, 1971, Provisional Population Tables, pp 83-164.

TABLE 4: CLASSIFICATION OF EVERY INDIAN CITY BY LITERACY RATE

(Per Cent)

State/Union Territory	Less than 40	40-48	48-56	56-60	60-64	64 and Above
Andhra Pradesh	Nizamabad 39.6	Warangal 45.3 Kurnool 47.1 Guntur 47.5	Kakinada 49.8 Visakhapatnam 50.8 Tenali 51.1 Eluru 52.1 Hyderabad 52.2 Rajahmundry 52.3 Vijayawada 54.6	Nellore 56.1 Machilipatnam 56.7		
Assam						Gauhati 64.5
Bihar	Bihar 39.2	Darbhanga 43.2 Monghyr 45.3 Gaya 47.9 Bhagalpur 47.9	Muzaffarpur 51.1 Patna 52.5 Jamshedpur 54.8	Ranchi 59.9		
Gujarat			Jamnagar 54.0 Bhavnagar 55.8	Surat 57.9 Ahmedabad 59.0	Rajkot 60.0 Nadiad 61.9 Baroda 63.4	
Haryana			Ambala Cantt 53.6	Rohtak 56.0		
Jammu and Kashmir	Srinagar 32.5			Jammu 58.8		
Kerala						Calicut 65.1 Quilon 68.5 Cochin 69.3 Trivandrum 69.3 Alleppey 70.1
Madhya Pradesh		Burhanpur 45.6	Gwalior 48.2 Durg-Bhilai-nagar 51.1 Ujjain 51.9 Bhopal 52.2 Sagar 53.2 Raipur 53.3 Raiam 55.5	Jabalpur 56.2 Indore 57.1		
Maharashtra		Nanded 43.0 Malegaon 43.2	Sholapur 48.1 Aurangabad 54.6 Sangli 55.6	Akola 56.2 Ulhasnagar 57.0 Amravati 57.6 Dhulia 57.9 Nagpur 58.1 Jalgaon 59.0	Kolhapur 60.4 Nasik 62.1 Poona 62.7 Thana 63.9 Greater Bombay 63.9	Ahmednagar 64.1
Karnataka		Gulbarga 46.8 Bellary 47.5	Davangere 51.1 Bijapur 52.3 Hubli-Dharwar 54.2	Mysore 56.4 Shimoga 56.5 Bangalore 59.5	Belgaum 61.0	Mangalore 64.9

(*Continued*)

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— PEOPLE & PLACES — BUSINESS & PLEASURE — LAND & AIR — NEWS & VIEWS —

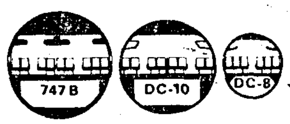
SKYLAND EXPRESS
& ALPINE ADVERTISER

IN THIS ISSUE...
- The lowdown on high jinks
- Hospitality to non-visitors
- Looking back, fondly
- Fans' Corner
- Airline introduces express services

AIRCRAFT FANS' CORNER

ONE OF THE quietest and lowest-emission wide-body aircraft, the McDonnell-Douglas DC-10, has been evolved into a special long-range version for the "KSSU group" of airlines (KLM, SAS, Swissair, UTA).

Tagged DC-10-30, it can carry 249 passengers, plus 108



Although not much smaller than the 747 B, the DC-10-30 has one row less seats: elbow room for the passengers.

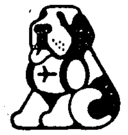
cu. m. of cargo, passenger luggage, and mail. Max. range at full load: 7150 km. Cruising speed: 895 kph. Max. payload: 35 tonnes.

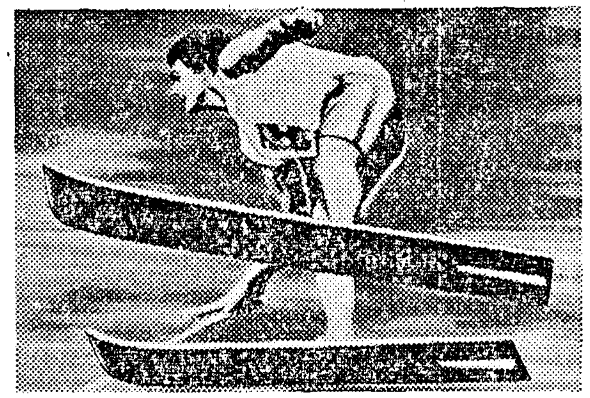
Swissair is using the DC-10 on six of its 12 weekly flights from Bombay to the East and the West.

SWISS NATIONAL DOG GIVEN NAME BY BRITISH

BIRMINGHAM—St. Bernard dogs, which have saved 2000 travellers from avalanches on the Great St. Bernard since 1670, were known simply as Alpine rescue dogs until a show here in 1862, when the breed was tagged with the name it now bears in all languages.

Aptly, it was St. Bernard himself who first said: "Love me, love my dog."





LANDING SEEN AS REAL PURPOSE OF FLYING

GENEVA—Air travel is merely a preliminary to going by riverboat, sleigh, mountain railway, on muleback, foot, skis, by canoe or sailboat to some valley, peak, lake, or historic town.

This is the message of a dozen colour brochures issued by a privately owned European airline* under the collective title of "Alpine Highlife."

The publications also advocate coming to a complete stop by renting a chalet, taking courses, or spending a couple of days getting to know one of 19 cities ranging alphabetically from Basel to Zurich and geographically from Paris to Vienna and Nice to Munich.

The Editors are sure that travellers to Europe will find these brochures a most valuable aid to wining, dining, sports, excitement, fun and culture.

Facts not worth knowing

DAVOS (Snowbeach)—The golf course here was laid out under the eye of Sir Arthur Conan Doyle, creator of Sherlock Holmes.

Davos is also the scene of Thomas Mann's novel *The Magic Mountain*.

★★★

LEAVING HOME WITH FOND BACKWARD GLANCES

BOMBAY—It has been almost positively established that a traveller on business or pleasure never leaves his country without a fond backward glance.

To help such a sentiment linger pleasantly on board a Swissair jet, the airline specially serves piping hot Indian vegetarian meals to those passengers from Bombay who request the same while booking.

This in no way decries the enjoyment of the other delicious meals served on board. The Editors also commend the airline's delectable Continental cuisine for those whose tastes run à la European.

The decision is indeed a difficult one to make as both types of meals are equally a gourmet's delight.

ANNOUNCING THE "BOMBAY-TOKYO EXPRESS"

Flash! Great news for Tokyo-bound travellers! Swissair now has a DC-10 flight non-stop from Bombay to Tokyo.

The flight, aptly named the "Bombay-Tokyo Express", leaves Bombay every Saturday night. Swissair is the only airline offering this express service, fastest from Bombay to Tokyo.

There is also a "Swiss Express" for those whose goal is Zurich. Every Friday night, a Swissair DC-10 whisks passengers from Bombay to Zurich non-stop.

STATISTICIAN CLAIMS THAT MANY VISITORS TO SWITZERLAND AREN'T



ZURICH—Of all the people who fly to Zurich, Geneva, and Basel airports in the course of a year, close to one million actually don't see Switzerland outside the airport, according to Emil Niggli, a transportation research specialist.

"It seems sort of a pity," Mr. Niggli said, "but on the other hand, the ones who do stop over on their way between the Far and Near East and Europe, Africa, and the Americas find things less crowded."

SWISSAIR

Bombay 293535
Calcutta 444643
Madras 82583
Delhi 44237
Ahmedabad 20401
Bangalore 54862

TABLE 4: CONTINUED

State/Union Territory	Less than 40	40-48	48-56	56-60	60-64	64 and Above
Orissa			Berhampur 50.7	Cuttack 58.0	Bhubaneswar 62.5	
			Rourkela 53.6			
Punjab				Ludhiana 57.0		
				Amritsar 57.1		
				Jullundur 57.2		
				Patiala 57.3		
Rajasthan		Jodhpur 46.1	Alwar 48.7	Ajmer 58.9		
		Bikaner 46.5	Kota 48.8			
		Jaipur 46.7	Udaipur 52.7			
Tamil Nadu			Cuddalore 52.4	Dindigul 58.0	Tirunelveli 60.3	Tiruchirapalli 65.3
			Singanallur 54.6	Kumbakonam 58.6	Tuticorin 61.6	Coimbatore 65.4
			Salem 54.6	Vellore 59.2	Madras 62.1	Nagercoil 69.5
			Tiruppur 55.4		Thanjavur 62.9	
			Erode 55.5		Madurai 63.1	
			Kanchipuram 55.6			
Uttar Pradesh	Rampur 31.3	Moradabad 40.4	Mathura 48.0		Dehradun 63.4	
	Shahjahanpur 33.9	Bareilly 41.4	Jhansi 49.5			
	Mirzapur-cum-Vindhyachal 38.1	Agra 42.1	Ghaziabad 49.5			
	Firozabad 38.9	Aligarh 42.5	Kanpur 50.9			
		Farrukhabad-cum-Fatehgarh 43.6	Lucknow 52.7			
		Varanasi 43.9	Allahabad 52.8			
		Saharanpur 44.2	Gorakhpur 53.8			
		Faizabad 46.7				
		Muzaffarnagar 47.3				
		Meerut 47.6				
West Bengal		Bhatpara 42.0	Burdwan 52.2	Durgapur 56.3	Calcutta 60.3	Panhati 64.7
		Garden Reach 46.5	Serampore 53.8	Kharagpur 57.6	Hooghly-Chinsura 62.4	Dum Dum 64.9
			Howrah 55.6	Asansol 57.8	Baranagar 63.1	South Suburban 67.8
				Kamarhati 58.4		
Chandigarh						Chandigarh 64.5
Delhi				Delhi 56.2		New Delhi 67.0

Sources: Census of India, 1971, Provisional Population Tables, pp 88-144.
Data for individual cities in Calcutta conurbation have been obtained from Census of India, General Population Tables of West Bengal, pp 108-421.

decade from 1961.

Before an attempt is made to analyse differences in literacy rates of cities belonging to different regions or to the same region, it would be useful to review the principal correlates of city literacy. Firstly, it is evident from Table 1 that the literacy rates of cities find a strong association with the literacy patterns of areas in which these are situated. The persistence of higher literacy rates in south Indian cities than those in north Indian cities is in conformity with the continuing relative differences in the literacy rates of the two areas.[6]

Secondly, the occupational pattern of a city is an equally strong factor in determining the literacy rate. Cities with a sophisticated industrial base requiring skilled labour (e g, Poona, Nasik, Bangalore, Ranchi, Jabalpur, Baroda) and those with a pre-eminence of administrative and educational services (e g, Chandigarh, Gauhati, Bhubaneswar) display higher literacy rates than those cities where a considerable proportion of the population is engaged in household industries, general labour or agriculture (e g, Varanasi, Bhagalpur, Malegaon). It is also notable that the literacy rates of state capital cities are generally higher than those of all the other cities in a state (Table 1).

Thirdly, the population composition of cities is another determinant. It is obvious from Table 2 that cities with a relatively high proportion of Muslims[7] are marked by low literacy rates. On the other hand, cities with a relatively high percentage of Christians (e g, Alleppey, Cochin, Quilon, Mangalore) are distinguished by high literacy rates. Also, a relatively high percentage of Scheduled Castes in a city has a depressing effect on its literacy rate.

Finally, despite great disparities in literacy rates of cities in a particular size category, the bigger cities as a group display higher literacy rates than the smaller ones. This is so because the bigger cities, by virtue of being greater centres of modern industry, administration and education, tend to attract a higher proportion of literate migrants. Thus, literacy rates of cities are related mainly to their location, function, population composition and size.

Although cities form only small points in an area, they fit into a framework of regional literacy rates. Table 4 shows that cities situated in the two most literate states of Kerala[8] and Tamil Nadu are distinguished by high literacy rates of more than 60 per cent. The same is the case with many cities in western Maharashtra and the Calcutta conurbation. Relatively high literacy rates (56 to 60 per cent) are characteristic of cities located in areas with an agro-industrial economy, such as the Ganges delta (West Bengal), the Punjab-Haryana plain, Gujarat state and the Bombay-Nagpur axis in Maharashtra. In contrast, low literacy rates (less than 48 per cent) are typical of cities in Uttar Pradesh, Rajasthan, north Bihar and interior Andhra along with its adjacent areas in Maharashtra and Karnataka. All these areas are noted for their subsistence agriculture economy. Cities in the remaining parts of India also exhibit relatively low literacy rates of 48 to 56 per cent. Almost invariably, city literacy rates are closely related to the various levels of socio-economic development in different parts of the country.

Notes

1 The 1971 census noted that 12.9 per cent of the urban population were younger than five years. In the absence of separate data, the same figure has been adopted for cities (which contain 52 per cent of the total urban population) for calculating the percentage of literate persons in the five-plus age group.

2 The definition of a literate person in the Indian census has remained the same since 1901 facilitating comparison of data recorded in various counts since then.

3 Among the migrants to cities, 41.8 per cent were illiterate according to the 1961 census. Due to non-availability of the requisite 1971 census data, the 1961 census data are being used to illustrate certain points.

4 The 1961 census revealed that 67.5 per cent of male migrants were literate as compared to 44.7 per cent of female migrants.

5 G S Gosal, "Literacy in India, An Interpretative Study", *Rural Sociology*, p 263.

6 The higher literacy rates in south India are attributed to a more sustained history of traditional learning, an early start in Western education, and the more vigorous efforts of Christian missionaries in this area.

7 Most such cities are in Uttar Pradesh, Bihar, Andhra Pradesh and Maharashtra showing a consistent pattern of low literacy rates. The excessive illiteracy among the Muslims, even in cities, is a subject for detailed investigation in the context of economic, social and political factors, all to be viewed in historical perspective.

8 It may be of some interest to note that the literacy rate of Kerala's rural population (59.3 per cent) is higher than that of the country's city population as a whole.

Camphor and Allied Products

CAMPHOR and allied products is participating in a joint-sector venture in association with the Meghalaya Industrial Development Corporation for manufacture of essential oils. Apart from providing technical knowhow for the project, it will hold 40 per cent of the equity capital of the new company registered under the name 'Meghalaya Essential Oils and Chemicals'. MIDC will take 41 per cent of the equity. CAP has also signed an agreement with 'Terpene Industries', which is establishing a project in Himachal Pradesh, for supply of technical knowhow for production of various terpene chemicals. Under the terms of the agreement, CAP has already received Rs 2 lakhs as fees for the technical knowhow and is also entitled to royalty at 5 per cent of net sales of alphapinene, betapinene, terpineol and longifolene for 10 years from commencement of commercial production. CAP's research centre at Baroda is carrying on research on better utilisation of by-products and intermediate products of the plant, and initial results have been encouraging. The company is also going ahead with its expansion project. Production of CP resin and betapinene is expected to begin in June this year and work on PMHP will start in the second half of the year and will be completed by June 1975. A capital expenditure of Rs 60 lakhs has already been incurred, and the company intends to issue debentures worth Rs 40 lakhs to finance the balance of the cost of expansion. Jayant Dalal, chairman, feels that the company will have to raise the prices of its products owing to all-round sharp rise in costs. With a 40 per cent power-cut in UP, where the company's plant is situated, and with the prevailing scarcity of diesel and furnace oil, the chairman feels that production will be affected although turnover in the first quarter of the current year at Rs 137 lakhs could meet the planned target. The company's exports were Rs 6 lakhs in the first quarter of this year, compared to only Rs 54,500 in the corresponding quarter of the previous year.

Inequality of Farm Incomes

A Comment

M L Dantwala

V M Rao

PRANAB BARDHAN's findings on *inequality in the distribution of farm business income in agriculture* ("Inequality of Farm Incomes: A Study of Four Districts", Annual Number, February 1974) raise a number of questions regarding the informativeness of the concentration ratio and its analytical utility in monitoring changes in land and income distributions. The purpose of this comment is to place these questions before Bardhan and other researchers in the field of income distribution in the hope that a consideration of these questions might be of some help in improving the usefulness of the concentration ratio as a tool in the analysis of inequality.

Negative Information

The difficulty at the outset in comparing two or more values of concentration ratio pertaining to different time-periods or communities arises in interpreting the observed differences as unambiguous indicators of improvment/deterioration in distributional equity. Ordinarily, the values being compared would be intermediate values rather than values close to the extremities (0 or 1). While the extreme values are relatively easy to interpret by associating them with states of near-equity or sharp inequity, as the case may be, the intermediate values seem to provide merely the negative information that neither of these simple prototypes fits the situations being observed. The difficulties of interpretation usually get further compounded by the embarrassing habit of the Lorenz curves of getting in each other's way and by the absence of any objective standard to classify the observed differences in the values of concentration ratio as small or large. It also needs to be borne in mind that the concentration ratio, by itself, provides no clues whatsoever regarding the features of distribution depending on absolute values of the relevant variable such as the proportion of population below the poverty-line or the proportion of farms below the viable size, etc.

The concentration ratio gets even less communicative, if not totally mute, when the problem is to assess the changing distribution of land/income in a given community over time. Let us first consider the case of distribution of land which would be changing over time through diverse modes such as dropping out of certain members from the community of landowners, acquisition of land by new members and the changing ownership of land held by the rest owing to purchase and sale of land and other types of transfers of land. Some of these would be in the nature of changes brought about through deliberate policies, others would be arising in the course of the attempts by landowners to get around these policies and still others would be the result of relatively autonomous factors like migration, inheritance, breakup of joint families, etc. It is obvious that a researcher's or a policy-maker's assessment of the changing distribution will turn much more on these modes of change and the factors behind them than on mere increase or decrease in a summary measure of inequality such as concentration ratio. To drive this point home, it is enough to note that events which are polar opposites of each other like imposition of ceiling on the one hand and growing landlessness of small owners on the other affect the concentration ratio in the same direction, viz, a reduction in its value.[1] In the case of distribution of income, the process of change is even more complicated since, unlike land, total income itself would be changing substantially over time and, in response, the distribution of income would be both changing its shape and shifting its centre.

It appears to us that Bardhan's findings are more helpful in seeing these limitations of concentration ratio than in comprehending the changes in the distribution of farm business income between mid-fifties and end-sixties in the four districts covered in his paper. His findings reveal one case each of clear increase and clear decrease in the concentration ratio with two ambiguous cases of changes in the Lorenz curve. Even the former cases do not provide any meaningful propositions based on the magnitude of change observed in the concentration ratio and, of course, no insights at all into the interaction of factors underlying the change. As noted by Bardhan, what the findings permit is a largely negative and tentative inference that, despite many policies and hopes aroused by the "green revolution", there would not still appear to be any general and discernible trend towards improvement in the distribution of farm incomes. While this is an important and relevant inference, we doubt that the extensive data of good quality used in the paper (cost-accounting data for over 350 farms in the initial year and for nearly 550 farms in the later year) can tell no more than this.

Common Knowledge

Much of what we have said above about the concentration ratio is a matter of common knowledge. To judge from the past experience, it is unlikely to have any inhibiting effect on the researcher's willingness to use concentration ratios in his work. It is, possibly, in the nature of researchers to turn instinctively to tools which are simple to understand and compute; the Cobb-Douglas function in production economics and Ordinary Least Squares estimation in econometrics are other notable examples of such tools in economics which remain in use despite many and continuing criticisms against them. It would, therefore, be more to the point to encourage researchers to accept certain ground-rules while making use of the concentration ratio to ensure a fuller and more illuminating analyses of their data. The two rules which should be of help from this viewpoint are the following. The first rule relates to situations in which the data are available only in the form of size-distribution of land/income with no further details in respect of the members comprising the distribution. In this situation, it would seem best to supplement the analysis using the Lorenz curve with indicators and measures based on appropriate absolute sizes of income/land such as poverty-line income, contemplated ceiling on holding, etc. The second rule relates to analyses of inequality covering field-material collected in village surveys and farm investigations. It appears to us that the most effective use of this material lies in portraying the process of change in the distribution over time as fully as possible within an appropriate conceptual framework such as movement of farmers up or down the "agricultural ladder". Hopefully, the results

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and insights obtained in such detailed portrayals would eventually cumulate into more general hypotheses about the changes in inequality and factors behind them in different broad settings and regions. The rule appropriate for this situation is to carry out the analysis based on the concentration ratio not in isolation but as a part of a detailed study of the changing distribution. It should not be beyond the ingenuity of mathematically-oriented researchers to work out suitable decompositions of the concentration ratio which help in integrating the analysis based on concentration ratio with the broader study of change. Unless some such helpful ground-rules are accepted, we are afraid that researches based on concentration ratio would remain scrappy and impressionistic and, besides, would imply ineffective use of data in an important and sensitive area of research.

Brief Recapitulation

We conclude this comment with a brief recapitulation of the findings obtained in a field study recently completed in the Department of Economics, University of Bombay.[2] The purpose of the field study was to analyse the impact of "Tiller's Day" legislation implemented in the old Bombay state in 1957 on the agrarian structure. The field material collected for the study consisted of family-wise data on ownership, cultivation and leasing of land from 36 villages located in three districts. The terminal year of the study was 1964. The indications of change revealed at different stages in the analysis of agrarian structure were broadly as described below.

(A) The analysis using Lorenz curve revealed that over the period 1957-64 the concentration ratio had decreased in 29 out of 36 villages. However, in most of these villages the decrease was nominal in magnitude and the cases of unambiguous improvement in the distribution of land were seen to be very few (only 7 out of 36 villages).

(B) The comparison of size-distribution of ownership holdings as between the initial year and the terminal year showed that the distribution had not undergone any material change over the period of study.

(C) While the indicators noted above suggested that the impact of the legislation on the agrarian structure had been meagre, the analysis of movement over the agricultural ladder of the families common to both the years of study showed a substantially different picture. To quote from the Report, "A comparison in terms of the size-class between the pre-reform (1956-57) and post-reform (1964-65) years reveals that out of the total of 3,854 families common to both periods, the size-class of as many as 2,969 remain unchanged; 767 families moved up the agrarian ladder, meaning that their size-class in the post-reform period was higher than that in the pre-reform period. As against this, 118 farm families came down the ladder ... the most predominant group which moved up the agrarian ladder is that of the landless. Out of 567 tenant families who were landless in 1956-57, 394 families acquired ownership of 1,749 acres of land. The next important group to climb up the ladder is that of the small holders. Out of 2,020 families, 269 moved up the agricultural ladder and only 23 moved down. The group, as a whole, acquired ownership of 1,743 acres of additional land. Out of a total of 68 large holders in 1956-57, 58 retained their status and 10 came down the agrarian ladder. The group lost 312 acres during the intervening period ... All this movement up and down the agricultural ladder cannot be attributed to the tenancy legislation only. Several factors were responsible for this change, such as break-up of families due to the death of the owner, inheritance and purchases and sales of land" (pp 69 and 70). An analysis of the transfers of land brought about by the legislation itself indicated the following net positions in respect of the different groups.

Size-Class (in 1956-57)	Net Land Gained (+)/ Lost(—) (in acres)
Large	— 1663
Big	— 537
Medium	— 125
Small	+ 827
Landless	+ 1311

It seems to us that the contrast between the picture of change as revealed by analyses A and B on the one hand and that obtained in analysis C on the other is striking enough to be brought to the notice of researchers. In our view, this contrast provides a good illustration of limitations of summary analyses of distributional changes and should also serve to emphasise the need to extend the analysis of change to the level of families, particularly those which exist in the sample throughout the period of study, and to distinguish between the different factors and components of change impinging on the distribution. It is also our feeling that "families" — rather than "farms" — are the more appropriate units of analysis to understand better the dynamics of changing land/income distributions in agriculture. In situations where the two terms may not necessarily refer to identical entities, the analysis in terms of "families" is likely to provide findings which are both more relevant and more readily interpretable.

Notes

1 This particular difficulty can be got over by treating people becoming landless as owners with zero land. The point, however, is the more general one that, as a rule, changes in the concentration ratio do not speak for themselves.

2 The detailed results of this study are contained in "Evaluation of Land Reforms", M L Dantwala and C H Shah, Department of Economics, University of Bombay, 1971.

National and Grindlays

NATIONAL AND GRINDLAYS BANK has extended its consultancy services by establishing a small-scale consultancy division in Bombay. The division will offer a variety of specialist services to assist entrepreneurs in the small-scale sector, including: management audit and review of small-scale industrial units: preparation of project feasibility reports and loan dossiers for small, medium and large scale units; assistance in systems design like budgetary control systems, costing systems, planning and control systems, production planning and information systems; formulation of marketing strategies, sales plan, distribution analysis and marketing research studies; management of small and medium sized issues; organisational development programmes; and locating matching financial partner for a technical entrepreneur, preparation of feasibility report and arranging finance. The Bank's small-scale consultancy division was first introduced in Calcutta in June 1973 and has made good progress in the first 11 months of its existence.

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

THE following is the Statement by Shri Mulki Sunder Ram Shetty, Chairman, Vijaya Bank Limited at the Forty-second Annual General Meeting of the Shareholders of the Bank held at Mangalore on May 8, 1974:

LADIES AND GENTLEMEN,

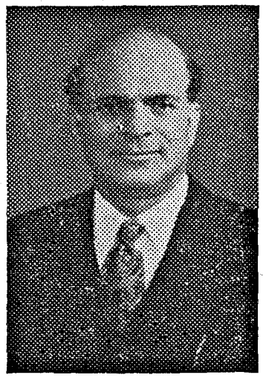
I have great pleasure in extending to you a hearty welcome to the 42nd Annual General Meeting of our Bank. The Directors' Report and Audited Accounts for the year ended 31st December, 1973 have been in your hands for some time now and with your permission I shall take them as read.

ECONOMIC SCENE 1973

It is only natural for a developing country like India to have quite a number of riddles and problems to be resolved, particularly on the economic front. To strike a proper balance between the requirements of accelerated growth with stability and greater social justice is indeed a formidable task even under favourable conditions. As all of you are aware, many unfavourable conditions have been operating in our country during the last two or three years. The year 1973 was a year of acute shortages and unprecedented price rises. Inflation continued to be one of the most serious and one of the most difficult problems facing the country. A steep rise of 26 per cent in the wholesale price level was the most disconcerting development in the economy during 1973. Food articles and industrial raw materials together accounted for as much as 78 per cent of the increase in the wholesale price index.

The unsatisfactory performance both in the field of agricultural production in two successive years 1971-1972 and 1972-1973, and in the industrial sector in 1973 was mainly responsible for this unhappy situation. The economy had to face acute shortages of strategic raw materials, serious transport bottlenecks, power crisis, high prices and widespread industrial unrest. Among the important industries which suffered a setback in 1973 were cotton textiles, jute, steel, electricity generation, cement, aluminium, paper and vanaspati.

The Government had to import significant quantities of foodgrains, vanaspati oil and also important raw materials to supplement the inadequate supplies in the country which increased our import bill. The oil crisis which shook the entire world further aggravated the situation.



Shri Mulki Sunder Ram Shetty

But fortunately our good performance on the export front helped us to a great extent in filling up the gap between our import bill and export earnings. The deterioration in our balance of payments position has been contained within manageable limits.

On the international front, the oil crisis which was an offshoot of war in the Middle East created almost a chaotic condition both in developed and developing countries. Uncertainty continued to prevail in the international money markets following the floating of the major currencies of the world.

THE BANKING SYSTEM

In the banking field, 1973 was a year of momentous events. The developments of 1973 were marked by contrast to those of 1972. As I stated last year, an unusual situation developed in the country in 1972 when the banks had to bear the burden of a surfeit of funds without finding sufficient outlet for advances. The year 1973 presented altogether a new picture. The 'interest rate war' fought by the major banks in the field of advances in 1972 was shifted to the field of call and short notice money market in 1973.

Considering the difficult conditions that prevailed in the country, particularly the unrelenting pressure on prices, the performance of commercial banks in 1973 should be considered as satisfactory. The total deposits of all the banks reached the level of Rs 9,952 crores — an increase of 22.17 per cent over the previous year. The increase during 1972 was only 17.4 per cent. Total advances increased by Rs 1,466 crores from Rs 5,398 crores to Rs 6,864 crores showing a rise of 27.15 per cent over the previous year. The year 1972 recorded a rise of only 6.9 per cent. As regards the branches, the total number of branches increased by 1,646 from 14,739 to 16,385 bringing down the average population per branch to 33,500 from 37,000 last year.

CREDIT POLICY

The Reserve Bank of India had to keep diverse considerations in view while devising the credit policy measures during 1973. At times it had to act with greater vigour than at any other time. Probably, never before has the credit policy of the Reserve Bank of India been the subject of so much criticism and discussion. It was indeed as much a critical year for the central bank of the country as it was for the commercial banks and their clients. Many of the banks had to do a lot of tightrope walking. I am very happy to mention that though the Reserve Bank had to act with greater force, yet while doing so, it showed all sympathy and consideration to the commercial banks.

As you are all aware, one of the most important reasons for the steep rise in prices in our country has been the abnormal increase in money supply. The monetary scene in recent years has been marked by a very high rate of growth of money supply. The annual rate of growth of aggregate monetary resources went up from 12.4 per cent in 1969-70 to 17.7 per cent in 1972-73. There was a further expansion of about 14 per cent during the 9 months of 1973 commencing from April. In an attempt to fight inflationary forces by bridging the widening gap between the aggregate demand and aggregate supply the Reserve Bank followed a policy of credit curbs.

As I mentioned earlier there was very keen competition among the banks for advances as a result of excess liquidity in the banking system in the beginning of the busy season of 1972-73. But the demand for funds picked up particularly during the latter half of the busy season which continued to increase unabated even during the traditional slack season of 1973. Actually, the slack season ended with a record contra-seasonal credit expansion of Rs 294 crores.

The year 1973 has seen a few disturbing trends in the monetary field. As a result, a number of credit restraint measures were taken by the Reserve Bank in quick succession, particularly during November 1973. Bank credit expanded by Rs 712 crores between October 1972 and mid-March 1973. Deficit financing continued at a high level. Reserve Bank's net credit to the Government increased by over Rs 800 crores during the year 1972-73, on top of Rs 882 crores in 1971-72. The increase in money supply during 1972-73 was 15.7 per cent. All these developments made the central bank of the country take a series of measures to restrain credit expansion mainly by curtailing the lendable resources of the banks and by increasing the cost of lending to the borrowers from the banks. The Bank Rate was raised from 6 per cent to 7 per cent with effect from May 31, 1973. The net Liquidity Ratio was raised from 36 per cent to 37 per cent in March, from 37 per cent to 39 per cent in June and to 40 per cent with effect from September 8, 1973. The minimum cash reserve ratio to be maintained by the scheduled commercial banks was also raised in three stages — from 3 per cent of the aggregate time and demand liabilities to 5 per cent from June 29, and to 6 per cent from September 8, and further to 7 per cent from September 22, 1973.

The credit policy for the busy season extended and intensified the credit control measures already taken by the Reserve Bank, particularly since the end of the last busy season of 1972-73. Lendable resources of the banks were further squeezed. The Reserve Bank has directed the banks to observe a ceiling on credit expansion at about 10 per cent of the outstanding level of advances as at the end of September 1973 for sectors other than food procurement. The refinance from Reserve Bank was made dearer and its availability was restricted. It also introduced a ceiling on a bank's borrowings from the Reserve Bank. Borrowings in excess of the stipulated ceilings, were allowed under exceptional cases after detailed scrutiny. However, facilities for re-discounting of bills under the New Bill Market Scheme continued and the banks availed of this facility to a large extent. The Reserve Bank has also raised the maximum borrowing rates from 12 per cent to 15 per cent with effect from November 16, and also the minimum lending rates on loans granted by the commercial banks for different purposes.

All these developments in the monetary field really created uncertainty regarding the availability of credit and so a scramble for funds started among the borrowers. The banks also found themselves in difficulty while following the Reserve Bank directions. Though different banks were affected differently, competition among the banks for funds in the call money market pushed up the interest rate to unprecedented levels — even beyond 30 per cent.

However, it must be admitted that the Reserve Bank has taken sufficient care to see that the genuine needs of the priority sectors, particularly small-scale sector and the export sector are met to a considerable extent. Later, it even relaxed the 10 per cent ceiling on the additional credit given for export purposes.

On the whole, one must admit that the Reserve Bank acted with a sense of pragmatism and also with dynamism. We have also to admit that the experiences of 1973 have once again brought to focus the need for proper credit planning by the banks and for exercising financial discipline among the borrowers. It is our utmost duty to co-operate with the Reserve Bank in discharging their onerous responsibilities.

OUR BANK

I am indeed very happy to mention that 1973 proved to be yet another successful year for us. In spite of the difficult economic situation in the country and in spite of the new challenges we had to face in adjusting ourselves to the new developments that had taken place in the banking field as a result of the enormous increase in price rise and the credit curb, we maintained the tempo of our all-round progress. Our deposits reached the level of Rs 81.13 crores recording an increase of about 38 per cent over the previous year. This is far above the average rate of increase of 22.17 per cent in the banking system as a whole. Our rate of increase for the year 1972 was 35 per cent. Our advances during 1973 increased by 45 per cent whereas average rate of increase in the banking system was only 27.16 per cent. As regards the opening of branches we really created a history in our own way by opening as many as 63 new branches in one year — an average of one branch every six days. It may not be out of place to recall that the total number of branches of our bank in 1966 was 63.

You may recall that I became the whole-time Chairman of the Bank in 1969 and I hope that you are interested in reviewing the progress of our bank during these five years. During this period of five years — starting from 1969, the total deposits shot up from Rs 13.21 crores as at the end of 1968 to Rs 81.13 crores in 1973 — recording an increase of 514 per cent. Likewise, our advances recorded an increase of 494 per cent — it went up from Rs 8.82 crores to Rs 52.44 crores, while the number of branches increased to 247 from 89 showing an increase of 178 per cent during the same period. The paid up capital recorded an increase of 373 per cent — from Rs 13.83 lakhs to Rs 65.40 lakhs while the reserves showed an increase of 543 per cent — from Rs 7 lakhs to Rs 45 lakhs. The shareholders' return on their investment, in the form of dividend was doubled — from 6 per cent to 12 per cent. The total number of employees stood at 3,244 as at the end of 1973 while it was only 982 in 1968. I am very proud also to add that the above figures should not be taken as indicative of mere quantitative growth. Our people not only possess the required qualifications and experience but have also acquired the needed skill and training to function effectively indicating growth qualitatively also. Above all, they have gained the confidence to face the challenges they may have to face while discharging their duties.

We have expanded both functionally and geographically. The year 1973 marked a new phase in the expansion programme of our Bank. We opened a number of branches in North India, Rajasthan, Uttar Pradesh, Gujarat and West Bengal are the new States where we opened our branches last year. We also opened a branch in Goa — a Union Territory.

WORKING RESULTS

Considering the constraints and restrictions under which we had to operate, our performance was really good during 1973. While earnestly making an attempt to strictly follow the directions issued by the Reserve Bank in re-

gard to the credit policy in the national interest, we tried our best to make the best use of our resources. Though we opened a large number of branches in far off places and though there was considerable increase in the salary bill partly due to the revisions in salaries and allowances following the upgradation of the Bank into 'A' Grade in October 1972 and frequent revisions in Dearness Allowance paid to the award staff as a consequence of continued rise in the cost of living index in 1973 and partly due to the increase of about 1,350 employees during 1972 and 1973 we could have a net profit of Rs 14.62 lakhs. Our gross earnings recorded a rise of 44 per cent over the previous year. There was a slight increase in the working ratio of salaries and allowances to the gross earnings. It has gone up from 0.30 to 0.34 because of the reasons mentioned above.

Our advances during the year increased by 45 per cent. The average credit-deposit ratio stood at 66.85 per cent as against 63.5 per cent last year.

Priority Sector

The experience of 1973 has once again reminded us of the crucial role agriculture has to play in the economic development of our country. Apart from the usual schemes in 1973 we launched on new programmes in the agricultural field. Under the Village Adoption Programme, we have already adopted seven villages for intensive development. We have also taken up Minor Irrigation Programme with the assistance of Agricultural Refinance Corporation and the World Bank. Our total priority sector advances excluding exports formed about 30 per cent of our total advances out of which more than 30 per cent was given to agricultural sector.

Foreign Exchange

I am very happy to mention that though we started foreign exchange business just two and half years ago our performance in this field has been really encouraging. There has been a continuous increase in the volume of business.

In the year 1973, there was more than fivefold increase in export finance. Three more branches — Calcutta, Quilon and Calicut have been added to the list of branches which have been authorised to deal directly in foreign exchange thus taking the total to 11.

With an addition of 25 banks during 1973, now we have agency arrangements with over 85 leading international banks at almost all the important centres of the world.

Human Resources

I need not over-emphasise the importance of human resources for any institution. The progress of any industry, particularly banking being a very important service industry, ultimately depends upon the quality of its human resources. Therefore, it has been always our endeavour to develop them in whatever way it is possible. In the year 1973 more than 235 of the members of our staff including executives and senior officers received training in different fields at different places in and outside India.

Our Thanks

I am immensely happy to mention that I have always had the privilege of having the continued support and co-operation of my esteemed colleagues on the Board. I am extremely grateful to each one of them. My thanks are also due to the members of the Local Advisory Committees for their co-operation.

I also sincerely thank the Special Officer, other executives, officers and all the other members of the staff of the Bank for their unstinted loyalty and dedicated service. I am extremely happy that we continued to have excellent industrial relations.

I acknowledge with gratitude the co-operation and support we have received from our shareholders and customers and thank all of them for the confidence they have reposed in us.

Thank you.

Note: This does not purport to be the proceedings of the 42nd Annual General Meeting of the Bank.



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Hindustan Lever Limited

Crisis in Oils and Fats — An Answer

THE following is the summary of the Speech delivered by Mr T Thomas, Chairman, Hindustan Lever Limited, at the Annual General Meeting of the Company held in Bombay on May 10, 1974:

1. Introduction

One of the major problems confronting our country and our business is the acute shortage of oils and fats which constitute the basic raw material for a major part of our business. Fifteen years ago, the Chairman of this Company, Mr S H Turner, spoke at the Annual General Meeting about India's future needs of oils. Today, I would like to review what has happened in the past fifteen years and to look ahead to the next fifteen years so that we can get an idea of the shape of things to come and evolve some ideas on how to meet the yawning gap between supply and demand for oils.

2. Importance of Oils and Fats

Next to foodgrains (105 million tonnes valued at Rs 9,700 crores), oilseeds (12 million tonnes valued at Rs 2,200 crores) constitute the second major agricultural crop in value. Furthermore, it employs over fourteen million persons, constitutes 13 per cent of the general wholesale price index, provides a vital nutrient (oils being required by the body as a vehicle for conveying vitamins) and contributes over Rs 100 crores towards foreign exchange earnings.

3. The Widening Gap between Supply and Demand

During the last fifteen years, there has been an agonisingly slow pace of a meagre 2 per cent compound growth per annum in the production of oilseeds in India, the actual supply of local oils rising only by 0.7 million tonnes (from 1.9 to 2.6 million tonnes) in those fifteen years. On the other hand, the demand for oils has grown by 1.4 million tonnes, thereby leaving a deficit of 0.7 million tonnes. This gap was only partially covered through imports of about 0.12 million tonnes during the last few years, with an uncovered gap of 0.6 million tonnes. This is a widening gap because with the increase in population and incomes, the demand is constantly growing while domestic supplies are nearly stagnant.

4. The Consequences of Widening Gap

Such a widening gap has had three major adverse effects, *viz*:

(a) It has resulted in a serious drain of foreign exchange. From being net exporters of oils till 1963-64, we have ever since been importers and spend nearly Rs 70 crores per annum in foreign exchange.

(b) There has been a steep rise in domestic prices from an average of Rs 1,980/- tonne of groundnut oil in 1958-59, to Rs 3,970/- tonne in 1965-66 and Rs 6,600/- tonne in 1972-73, with the maximum price reaching over Rs 9,000/- tonne in 1973.

(c) On account of shortage and high prices, the per capita consumption of oils and fats per annum has actually *declined* from 3.4 kg in 1958-59 to 2.6 kg in 1972-73 and the decline continues unabated. We have to contrast this low and declining level of consumption against a recommended minimum nutritional requirement of 20 kg per capita per annum.

5. The Grim Prospects for Next 15 Years

In 1973 many of us, as consumers, experienced a near famine in oils which became either totally unavailable or prohibitively expensive, especially in the urban areas and for the more vulnerable sections. The grim experience of 1973 is likely to be repeated unless we, as a nation, take remedial steps because the gap between supply and demand will widen further.

We estimate that with a modest growth rate of 4 per cent per annum in national income, the demand for oils and fats will increase to 5.9 million tonnes by 1989. If supplies continue to grow at 2 per cent per annum as in the past, the net deficit will be about 2.4 million tonnes. In other words, the deficit in 1989 will be equal to the current total supplies. This is indeed a frightening prospect because it will then lead to a steep escalation in the price of oils to anything between Rs 20,000 and Rs 25,000 per tonne — that is, 300 per cent over current prices! Corrective steps are therefore imperative.

6. Possible Remedial Steps to Bridge the Gap

It is relevant to note that during the last fifteen years, certain steps were taken by the Government and industry with encouraging but not adequate results, *viz*, (a) the increase in recovery and usage of cottonseed oil by the vanaspati industry and the increased usage of non-edible oils in soap-making, both achieved through fiscal incentives; (b) extension work in oilseed cultivation; and (c) substitution of soap by synthetic detergents.

As we look ahead to the next fifteen years, the possible remedies for dealing with the problem fall into two broad categories, *viz*, increasing supplies and exploiting more fully the world market opportunities.

7. Increase in Supplies

The major opportunities for increased supplies are as follows:

(i) Agricultural extension work in groundnut cultivation in the States of Gujarat, Andhra Pradesh and Tamil Nadu, to achieve a feasible 40 per cent increase in yield per acre to give an additional 0.4 million tonnes of oil per annum.

(ii) Recovery of rice bran oil by encouraging the use of sheller type rice mills to replace hullers. This can result in additional production of 0.14 million tonnes of oil and 1.1 million tonnes of rice bran extraction which can be exported for a price of over Rs 22 crores per annum. It will also avoid wastage of 0.5 million tonnes of rice which goes as broken rice in hullers today.

(iii) Extraction of oil from a major portion of the cottonseed produced in this country which is now fed directly to cattle without extraction of oil which is not required at that level for balanced animal nutrition. An additional 0.12 million tonnes of oil can be extracted by diverting all cottonseed from ginneries to extraction plants.

(iv) Cultivation of oil palm which has been successfully undertaken in Malaysia and can be done in the

Andamans or Kerala. This may be allowed to be taken up as a plantation crop by joint stock companies. By bringing about one lakh acres under palm cultivation we can produce about 0.2 million tonnes per annum of palm oil which is edible.

(v) Propagation of sunflower which offers the single largest opportunity for increased oilseed production in India. It is a short duration crop, drought resistant, with high oil content and reasonable yield per acre. We estimate that about 1.5 million hectares can be brought under sunflower cultivation in the next fifteen years to yield an additional 1 to 1.5 million tonnes of oil.

8. Export/Import Opportunities

A different set of opportunities exists for our country to utilise world market opportunities for export and import of oilseed products as follows:

(i) Barter trade in groundnut oil — As groundnut oil fetches more than 50 per cent premium over other edible oils such as soyabean and sunflower oils in the world market, it will make sense for us to export about 0.2 million tonnes of groundnut oil and import against it over 0.3 million tonnes of soyabean oil, thereby increasing our net supplies by 0.1 million tonnes.

(ii) There is a potential for export of about 20,000 tonnes per annum of castor oil as castor based chemicals and it is estimated that we could import about 40,000 tonnes per annum of edible oils against the value of these exports.

(iii) If 20 per cent of cottonseed extractions are exported, it should be possible to import about 70,000 tonnes per annum of sunflower oil with the earnings.

(iv) A further 40,000 tonnes of oil can be imported from the potential saving of Rs 14 crores of foreign exchange by 1989, if the lint from cottonseed is recovered and used by the rayon industry instead of importing pulp.

(v) Similarly by ensuring aflatoxin free quality of groundnut, India could export an additional 20,000 tonnes per annum of handpicked groundnut seed and improve the price realised on groundnut extraction exports by Rs 100/- tonne. These will yield an additional Rs 15 crores which could enable imports of another 42,000 tonnes per annum of edible oils.

9. Conclusion

To sum up, all the steps outlined above could augment indigenous supplies of oil by about 1.94 million tonnes per annum by 1989 and enable imports of an additional 0.3 million tonnes per annum approximately. These together will nearly cover the estimated deficit by 1989 of 2.4 million tonnes per annum.

Thus, through a series of planned remedies, it would be possible to avoid what would otherwise be an oil famine that will develop in our country. We have felt it our duty and responsibility as users of oils to present these recommendations and shall be willing to offer assistance where it is required and relevant.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting. Due to shortage of space it has become necessary to publish this brief summary of the speech, the full text of which is available from the Company Secretary.

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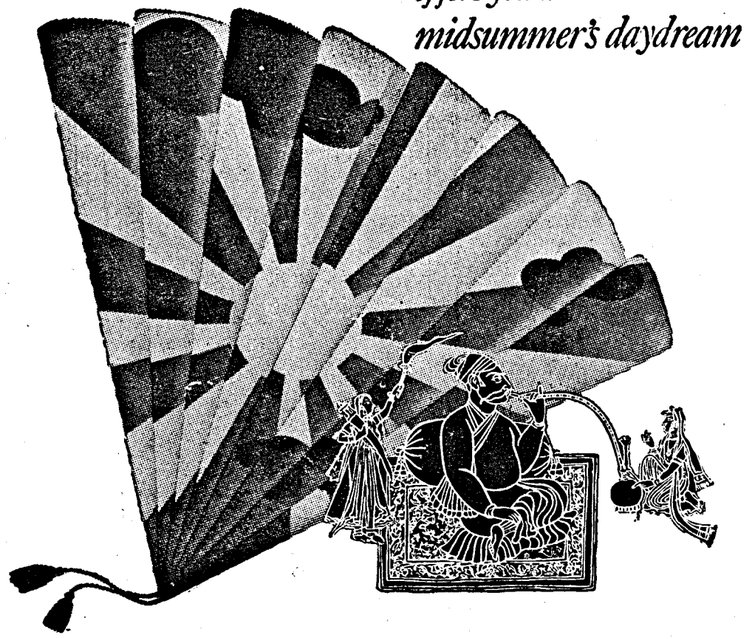
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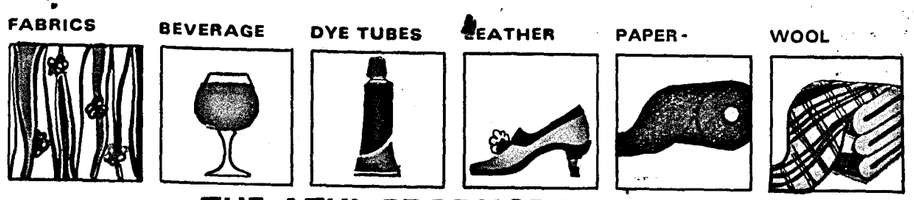
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SEARCH FOR 'UNCONVENTIONAL' WIZARDRY

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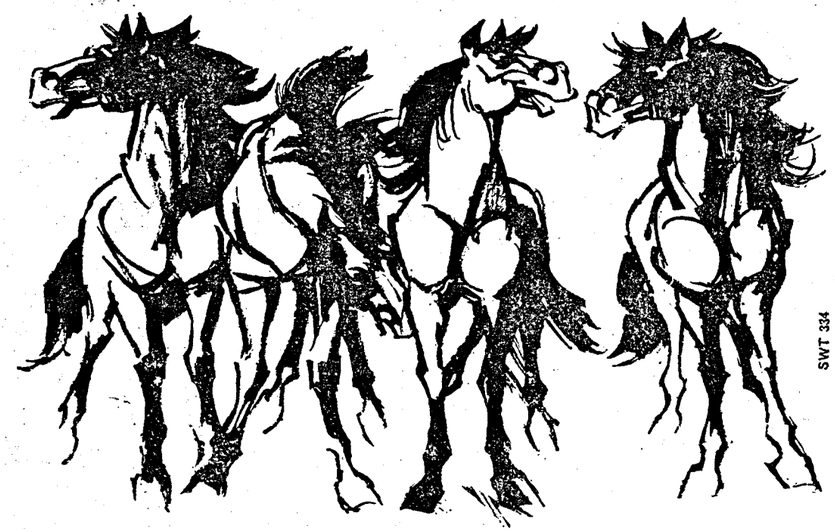
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Cultivating Our Egos with Delight and Terror!

THE poet Alexander Pope once thought of organising a "Little Men's Club". The idea was that the little men should not be shy of being little. They need not wear high-heeled shoes to look tall. Pope had contempt for little men who wore high heels. India's successful 'peaceful' and 'contained' underground nuclear explosion is a classic case of a little man wearing "high heels"! It is, indeed, no more than that. It's an attempt to look "tall". But then high heels do not make you look a little ridiculous.

A lot has been said about the science and technology involved in this nuclear explosion. Nobody can deny that it has proved, if proof were needed, that Indian technological knowhow is not any the less advanced than, shall we say, China's. In fact an underground explosion requires a higher degree of sophistication than an atmospheric one. But who had disputed Indian technological competence? Who had disputed the strides India's science-elite had made in learning the not-so-secret lessons of nuclear theory? On the contrary, everybody has held the Atomic Energy Commission and the learned men in it in very high esteem, and so on. It is time somebody pointed out that this argument about science and technology has always been a bit of a hoax. All nations wanting to arm themselves have used "science" in a very unscrupulous manner and it is too late in the day for anybody to pretend that "science" will be used any differently in this country.

India is perhaps the only country to have gone nuclear with three-fourths of its population below the poverty line. Inflation, unemployment, hunger have become so commonplace that we have probably lost all ability to see the simple truth that you do not become a power, and certainly not a nuclear power, when you are on the threshold of economic chaos. Nuclear explosions, whether peaceful or otherwise, do not give a country the status of a power. They certainly confirm such a status if the country concerned is already a power. India's elite has given itself a nuclear toy. It is out wearing high-heeled shoes!

There is no doubt that the Indian elite takes itself very seriously. It must now be hoping that the United States will condemn its 'peaceful' explosion in harder terms. A paper like the *Daily Telegraph* welcoming the test may be a little inconvenient to our blue-eyed socialists. But then the more reliable Tass will relieve the anxiety. Tass has already reproduced the Atomic Energy Commission's remarks on the explosion without comment. It might do even better sooner than later. Meanwhile, the Americans can be trusted to make a silly statement so that the Indian explosion appears a genuine thing. The ideological problems are then taken care of. The progressive section of the national bourgeoisie, in its battle with reactionaries within the Congress and outside, has delivered the bomb — or rather a 'clean' explosion as the Prime Minister put it on TV the other day.

In a sense this explosion was inevitable. It is rather difficult for ever-expanding military machines now to settle for anything less than the nuclear weapon. It is a logical, and therefore unavoidable, extension of modern defence doctrine. Nuclear weapons are an inalienable part of it. It was always a little naive to hope that India would not go nuclear. No country which has a military machine of the size that India has can escape going nuclear. In other words, the explosion had to occur. Whatever categories of the national bourgeoisie that one may think of, none of them could have avoided it very long. And, of course, there is the toiling mass of humanity to pay the price. What is a little hunger and starvation when it comes to national honour, science, defence and what have you? When the kulaks and the officers and, of course, the neo-Brahmins get together as they have in our country, a bomb — or a peaceful explosion if you prefer it — was inevitable.

This does not however mean that it will not make an international impact. It will. Strange as it might seem this is the first nuclear explosion by a non-nuclear power which the super powers have chosen to ignore and which they may over a period of time even applaud. This confirms the alignment on our subcontinent. Attlee's nuclear blast had confirmed Britain's secondary status in the Western alliance system. We shall soon see that something similar has occurred here. In international terms the blast has isolated us within our regional framework. Bhutto's worries are not altogether unjustified. What is worse probably, it is only a partial isolation. Alignment with a super power prevents us from acquiring the privileges of total isolation. It only increases our dependence. India's dependence on the Soviet Union has come to stay. And what is regrettable in today's world as contrasted with the world of the fifties is that dependence on one super power necessarily involves dependence

on the other. The blast has confirmed our status as comparable to that of Attlee's England.

But even this may be an illusion, sheer make-believe. Attlee's England was not starving. Indira Gandhi's India is. You cannot play power politics on empty stomachs. So you take a little delight in an 'achievement' here and an 'achievement' there. As for the rest, use terror if necessary. It was Baudelaire who once said of some people that they "cultivate their egos with delight and terror". With the nuclear explosion the Indian elite has done just that.

India-Bangladesh Relations

Sharing Farakka Waters

THE joint declaration of the two Prime Ministers as well as the trade and long-term economic agreements initialled afresh at New Delhi between the governments of India and Bangladesh, are so much fluff. The four so-called 'joint' ventures emerging out of the agreements have been talked about for more than a year now. India was already committed to set aside close to Rs 50 crores worth of resources for the fertiliser, cement, and sponge iron plants; clinkers for the cement plant are merely a minor annotation. Similarly, right from January 1972, talks have proceeded back and forth on measures to prevent the smuggling of jute and other essential commodities across the border: sentiments expressed last week are, therefore, a reiteration of past ones. At various official and ministerial levels during the past two years, resolutions have been passed recommending concerted action for raising the unit value of jute in the world market; no concrete follow-up steps have been evident. The notes on trade arrangements initialled by the two Commerce Ministers contain a review of the progress of the trade plan entered into last year. Apart from a formal expression of hope that henceforth the performance would be better and movements either way would pick up, the ministers have no further tidings to convey.

Each of these was therefore in the nature of so much background music while the main debate was on between the two Prime Ministers over the disposal of the Farakka waters. Notwithstanding the window-dressing of the joint declaration, obviously no meeting ground has been found and the issue has been kept open. The Bangladesh Prime Minister delayed his departure by several hours, indicating some hard bargaining over the choice of words to go in the declaration pertaining to Farakka. That this issue would come to the fore, and would bear the principal responsibility for the gradual clouding of relations between the two countries, was predictable. So far as India is concerned, the problem of the disposal of the Farakka waters has both domestic and international implications. Even if the proposal of the former Union Minister for Irrigation and Power to unite in a common grid the waters from the Ganges and the Cauvery is taken to be a non-starter, there is the quite acute problem of arbitrating between the demand of the upper riparian states of Uttar Pradesh and Bihar for a greater share of the flow of the Ganges water for purposes of irrigation and the demand of West Bengal for a stepped-up release of water downstream so as to prevent the silting of the Calcutta and Haldia ports. Centrifugal forces are once more threatening to rear their head in the country; in case inflation continues unabated and economic and political confusion aggravates, the tussle between Bihar and Uttar Pradesh on the one hand and West Bengal on the other would, if anything, further intensify. On top of this would be the problem of deciding the distribution, between Bangladesh and West Bengal, of whatever quantum reaches the barrage at Farakka. The battle of 40,000 cusecs is hence still very much on. While New Delhi does not have to deal with the Government of Pakistan any more on this issue, as far as substantive questions go, there is no perceptible difference at all between the stance adopted by Pakistan on the issue in the early 1960s and that now adopted by Bangladesh. It is therefore going to be a long haul.

Enthusiasts abound who are convinced that the enduring solution lies in an arrangement, similar to the one implemented for the Indus Valley, for a multi-country, multi-river authority for drainage, irrigation and water management in the lower Ganges-Brahmaputra basin; such a scheme, if carried out, could, once and for all, solve several outstanding major problems for Bangladesh, Assam and West Bengal. Even assuming the concurrence of the governments of the two countries, the implementation of such a project would call for massive investments and meticulous planning spanning over several years. At a certain point of time in the recent past, the World Bank and Robert McNamara had expressed a certain keenness to father a scheme of this nature. The Government of India, for a number of reasons, has been perceptibly less enthusiastic. Bangladesh, which hopes to be the greatest beneficiary in case the project could be pushed through, has an understandable gleam in its eye: if only India could be persuaded to fall in, it is being argued in Dacca, big money could be obtained from abroad. This is, however, hardly a matter of mere technology or economics; geopolitical issues too are involved. In the case of the Indus Valley project, in addition to funds from international sources that were pumped in, the Government of India was also called upon to make a substantial contribution. Whether India would be equally eager to make a similar contribution for a Ganges-Brahmaputra project would depend as much upon its geopolitical implications as upon an assessment of the concrete benefits accruing to the eastern states. On the other hand, if procrastination is considered to be the most efficacious instrument of policy, Farakka would emerge as a great spoiler of relations between the two countries.

Metals and Minerals

Irrational Pricing

Magnus writes:

THE phenomenal price increases in the world's metal markets have been matched by rise in prices in the Indian market. The price increases highlight the opportunities we have missed in the mineral field in the last ten years. What is truly startling, however, is the manner in which the government and public-sector bodies are reacting to the situation, particularly in the matter of price-fixation. Two cases in point are those of zinc and of rock-phosphates.

There are two zinc producers in India. Cominco-Binani in Kerala smelts imported concentrates, with a smelter capacity of 20,000 tonnes metal per year. Hindustan Zinc has its own mines, concentrator and smelter in Udaipur, with a capacity of 19,000 tonnes (now being expanded), and another concentrator on the way at Vizag, based on imported concentrates for the time being. The prices of concentrates have no doubt increased internationally, but by no means in the same proportion as those of the metal. Certainly, HZL's costs cannot have gone up in line with the London prices which went up from around £ 220 to £ 840 per tonne between April 1973 and April 1974. And yet HZL's selling price of zinc metal has now been increased from Rs 9,000 to Rs 15,000 at one stroke. What is the justification for this price hike? HZL's predecessor company was nationalised because it had asked for a selling rate of Rs 3,200 about 10 years ago, and which the nationalised company was then promptly allowed. Further, by-product cadmium from both smelters is now selling at a healthy premium world-wide, as also by-product lead. All of which makes the rise in zinc prices allowed to HZL and Cominco-Binani unfair to the consumer. The latter would now be paying its Canadian partners more for the concentrates, and remitting higher dividends, both in hard currency.

The case of rockphosphate pricing is even more bizarre. The Rajasthan government used to make a clean profit of approximately Rs 80 per tonne on rockphosphates; this it did by the expedient of appointing a semi-government raising contractor (Bikaner Gypsums), paying it Rs 46 per tonne and selling at Rs 140 or Rs 150 per tonne to fertiliser plants. BGL tried unsuccessfully for four years to get a price increase to meet rising costs and it was ultimately fully taken over by Rajasthan government last July. It immediately received additional funds to the extent of nearly Rs 75 lakhs for purchase of heavy equipment, and more funds are in the pipeline. But this was not enough for the new government company: it has received a price increase, retrospectively from January 1973, of Rs 24 per tonne and the amount is now being paid to it. As from April 1974, the price is no less than Rs 96 per tonne, that is more than double the price which was considered satisfactory for the firm when it was partly privately-owned.

The secret is in the sale of this rockphosphate to the consumer: Rajasthan government has been watching international prices, and is now generously offering this mineral at prices ranging upto Rs 550 per tonne, as against Rs 150 last year. The profit on sales is booked as government revenue and is exempt from income-tax of any kind. What could be the justification for raising more than four-fold the price of a fertiliser input?

Aluminium prices have been increased by 25 per cent, from Rs 4,000 to Rs 5,000 per tonne from May 17 as a result of the Cost and Prices Bureau's study of costs. Aluminium is a good test case of the government's intentions of controlling prices because, unlike zinc or rockphosphates, there is almost no import of aluminium into the country and hence the so-called principle of import parity applies even less. But world prices have started moving up after a long period of stability. Jamaica, the largest exporter of bauxite, has steeply increased royalty and taxes on the mineral, and this is bound to raise US prices from this month, probably to the region of Rs 11,000 per tonne. What then will be the Indian fixed price? Because all aluminium is at present produced by private sector companies, there may be little sympathy for them — at least until the next general election comes near. Or possibly the authorities will wait until Bharat Aluminium's plants finally go into production to conclude that, after all, aluminium cannot be produced any cheaper in India than elsewhere in the world.

Finally, one cannot overlook copper, the major metal imported into India, and which represents the greatest missed opportunity in the mineral industry. The Khetri project of Hindustan Copper has a projected capacity of around 31,000 tonnes of metal per year and every assessment has shown that it is an economically viable venture at a product price of around Rs 9,000 per tonne. (The project's estimated cost has moved up from Rs 65 crores in 1966, through Rs 90 crores and Rs 115 crores at three-yearly revisions, to the present figure of Rs 127 crores.) But the international price of copper which was in the £ 400 range for many years went up to £ 640 last May, and to over £ 1,300 in May 1974. HCL's acquired complex of Ghatsila was, and presumably is, comfortably profitable at a price of Rs 10,000 per tonne, i e, say £ 500. Where then will HCL fix its selling price? Between it and the MMTC, the price can be fixed at any level, and where they fix it will show whether the government is at all serious about keeping prices of industrial raw materials as low as reasonably possible.

These examples cover cases where India is largely an importer of the commodity, where there is substantial local production and also a fair proportion of imports and, as in the case of aluminium, where a fair degree of self-sufficiency has been achieved. The products affect all kinds of industrial goods, particularly electrical goods which India hopes to export in increasing quantities. Our steel, and our metals, can now be produced at competitive prices but unless internal prices are de-linked from international prices wherever possible, the country as a whole will derive no benefit at all.

Secondly, rising world prices make it more urgent than ever that the public sector undertakings begin to show larger production immediately. At current prices, the total loss due to delay in the Khetri project alone has reached a figure of about Rs 500 crores, all of it in hard currency. Reduced availability of copper and zinc (and their alloy, brass) retards many other downstream industries, which adds further to the burden. And the loss through low production and over-pricing of rockphosphates can be measured in millions of tons of foodgrains. It is time to stop this irrational use of the pricing freedom given to state enterprises and to make them concentrate on producing more.

Paper

Many Drags

PAPER prices are around Rs 3,500 per tonne at present. Between May 1973 and January this year they rose by between Rs 1,100 per tonne (MG poster white) and Rs 1,950 per tonne (MG coloured). The industry has sought to justify price hike in terms of the rise in raw material costs. Royalty payments for bamboo have gone up considerably (for example, royalty rates have been raised from Rs 7 to Rs 18 per tonne in one case and from Rs 20 to Rs 40 per tonne in another); the cost of chemicals has also gone up, particularly that of caustic soda (by about Rs 350 in the last six months). The industry has taken full advantage of decontrol to make up for what it might have missed by way of profits during the control era. Simultaneously, it continues to complain of the high cost of new investment, difficulties of securing raw material and the like.

No new investment has been made in the paper industry in recent years, except for two medium sized units being set by the public sector Hindustan Paper Corporation. And the only expansion that has taken place has been through so-called crash programmes, which aim at increasing production of paper through suitable modifications in paper machines already installed. There are some new projects proposed to be set up in Uttar Pradesh and Madhya Pradesh. But the output from them will not be available for another five to six years.

One of the major problems with regard to expansion of capacity in the paper industry is the absence of production facilities on the paper machine side. Lack of design facilities is largely to blame for this, but surprisingly no effective steps have been taken to strengthen our design capabilities.

Profitability in the paper industry is better than the average for all industries, all the complaints of the industry notwithstanding. The paper units have achieved this by switching over to special varieties of paper. Over the last five years the share of industrial paper in total paper output has been on the increase. The share of writing and printing paper in total output has thus been declining while its prices have continued to rise.

This has brought forth the demand that at least for educational purposes writing and printing paper should be made available at around Rs 2,700 per tonne. However this is unlikely to find favour with the industry. What the government could do is to insist on a minimum production of writing and printing paper — say, 60 per cent of the total output. This would not be enough by itself, however; the government would have to fix the price of writing and printing paper — at, say, Rs 3,500 per tonne.

One aspect of the paper industry which has not been examined in detail is its selling and distribution practices and arrangements. At least some companies have sole selling agents and almost all have distributors. In the context of a sellers' market, it is worth considering whether these arrangements have helped the industry at all.

Calcutta Diary

A M

NO, the blast was by no means a sophisticated one. It was coarse, as coarse as crudity could go. For at least the past five years, it was known that our scientists are capable of setting off a nuclear device with a thrust of upto around 20 kilotons. Since the capability was there, the actual assembling and detonation of the device is not much more than an empty formality. Unless, of course, the government is determined to have a bomb: if its protestations are to be taken at face value, it is not. As for the supposedly peaceful uses to follow the blast, one's first impulse is to break out in a Nixonian expletive: an administration which, over a number of years, has been unable to set right the troubles bedevilling the nuclear power plant at Tarapur should have the decency to stay away from the theme of how, henceforth, the atom was going to be deployed for peaceful purposes.

But a wayward government would try anything in its desperate hours. In private conversations during the past several months, several times, one has heard the wry comment: to break out of the impossible corner where they have played themselves in, the authorities might look around for some spectacular extravaganzas — such as an atomic blast. That even such grotesque jokes are made to come true indicates the state of neurosis gripping New Delhi. In the process, a reluctant admission is now also wrested from that other group of agnostics: it cannot be said any longer that everything the radicalist scriptures say is bosh. The dogmatists of the Left have always maintained that, when cornered, a reactionary regime will scrounge around for diversionary tactics: if the masses are seething with discontent, while measures necessary for assuaging this discontent hurt the class interests of the ruling groups and cannot therefore be recommended, the thing to do is to divert the people's attention away from the realities of everyday life to some ersatz concoction, such as a border war, or some other equally cynical device which could detonate an emotional fervour, Category Patriotic. This, you might think, is again much too crude an analysis. But you have only to scan through the statements gushing forth from the state chief ministers and the ruling party's stalwarts in the wake of the Jaisalmer blast: in a collective Pavlovian response, each of them has rubbed it in that the explosion once more vindicates the greatness, nobility and brilliance inherent in the leadership the nation has been fortunate to receive from the Prime Minister. The line-toeing newspapers have followed suit: the lead picture, nearly everywhere, is the Prime Minister's, and not of the backroom scientists and technicians, and the editorials have talked, as the Americans say, 'hopefully', almost in the manner of Seventh Day Adventists, of a consequential, coming resurrection of the Indira wave. They have taken the blast — rightly — to be an act of preponderantly political import. The explosion, the Prime Minister has gone to considerable lengths to assure the Press, is nothing to get 'excited about'. Such sophistication is however lost on a Shankar Dayal Sharma or a Siddhartha Sankar Ray. They, simple souls, would take the detonation for what it surely has been intended to be: a lifebuoy, an attempt to refurbish the government's sagging image, a *deus ex machina* to drown the tale of inflation and the crippling railway strike in the cacophony of manufactured raptures a successful blast could be expected to give rise to.

The costs and benefits must have been carefully gone into. The costs are enormous. After the April signing of the tripartite agreement between this country, Pakistan and Bangladesh, a genuine possibility was opened up, perhaps for the first time in several years, for a season of subcontinental *detente*. Pakistan was visibly happy over what it got out of the New Delhi meet: Bangladesh in its turn could extract a formal recognition, granted grudgingly or otherwise, from Pakistan, a recognition which was akin to a passport to the United Nations. India too made the best of a bad job, and at least succeeded in cutting its losses. A suggestion of stable peace had seemed to hang, however thinly, in the air. Now, with the blast, everything will once more be set topsy-turvey. Zulfiqar Ali Bhutto has been handed a beautiful alibi for pressing down hard upon the administrations of both the United States and China — who now will have to help *his* government assemble a nuclear toy or, alternatively, pump in more arms and defence assistance. The king-emperor of that livid Zoroastrian State, Iran, lush with oil funds, would be equally caught up with the idea of acquiring a contraption which could illuminate the horizon brighter than a thousand suns. Once the atmosphere has thus been churned up, you would need little further provocation for steeply adding to India's defence budget. If, as a result, some further funds have to be taken away from the investment kitty and thus the nation's rate of economic growth is further stunted, ah, well, that cannot be helped. Cabinet ministers and members of Parliament, carried away by patriotic blues — true as much as false — would thunder, to the accompaniment of applause: the nation's defence and security and honour must take precedence. The budget grants for the Ministry of Defence would be quickly passed, to be followed by tea at Rashtrapati Bhavan, never mind who its occupant might be.

All this has evidently been considered worth it. The blast fits, snugly, into the frame of the policy for total confrontation. Total confrontation calls for total mobilisation. The recalcitrance of the railway employees has to be answered. The unreasonable people who demand the control of inflation have to be silenced. Those who insinuate about corruption in the highest quarters have to be blasted off. More modest weaponry must have been considered, and rejected. Desperate situations call for desperate remedies. The authorities, you or I might argue, would have enhanced their credibility if they had held off the explosion till the railway strike was over. Apparently, such civilised modes of behaviour have been ruled out of order. A government at bay decided to reply to the striking railwaymen with a bang-bang. It is a pity, you or I might say, that the scientists had to be dragged into this messy business, and made to play, in whatever remote manner, the role of strike-breakers. But this, after all, is what alienation is about: under the given system, never mind whether a nuclear scientist or a functionary of the Planning Commission, you are merely a species of wage-labour, you do not control either the instrumentalities or the modalities of your output, you receive your subsistence packet, and go home to drown your sorrow: some drown it in Scotch whisky, some others write transcendental poetry.

Unfortunately for the government, perhaps it is later than it thinks. Time is an important determining variable, adding to, or otherwise detracting from, the potency of even kilotons. A week has gone by, and May 18, 1974 promises to acquire none of the halo of either July 19, 1969 or December 16, 1971. Death is apparently failing to double up as Resurrection.

One, alas, writes as one feels, as one experiences. Are the above paragraphs jaundiced, unfair, biased beyond redemption, the outpourings of a sick mind? You circulate, and talk with people, any cross-section of them: housewives, labourers, students, clerks, teachers, shopkeepers, street vendors. True, they worry little about Pakistan's reaction to the blast, nor are most of them, at this juncture, overly concerned with its long-range implications; for example, its impact on the country's defence expenditure, and, therefore, by inference, its capacity to resume the process of economic growth. But — you will be surprised — the harassed housewife has nonetheless come a long way; maybe this is how environment works upon one's state of consciousness. She will not let you go, she will demand a straight response from you: what is the link between the blast and the nation's current economic plight, will it lead to a lowering of prices, to a greater supply of essential articles in the market, to a reduction in the level of nepotism and corruption, to an improvement in the supply of power, coal, kerosene? The blast is excellent, she will, caustically, inform you: where, however, do we go from here...?

For how does one get around the obscenity of it? Each of the other governments which preceded New Delhi in presenting the world with a series of nuclear explosions had the decorum to ensure food for its people. Here, the story is somewhat different: we are in a position to crack the atom, but are in no position to crack the resistance of the greedy farmers and traders who are sitting pretty on the heap of the wheat crop. Some kilotons present a greater challenge than some others. Some challenges are taken up, some are *not*. Discretion is the better part of valour.

LETTER TO EDITOR

Determinism vs Individual Choice

APROPOS of AM's concluding remarks in the Calcutta Dairy dealing with the death of Buddhadeva Bose (March 30) in which he laments, like most Marxists, Buddhadeva's failure to make the right kind of choice, one feels prompted to observe that the talk about choice, and individual choice at that, coming as it does from the pen of one saturated with Marxism, is the most weird thing conceivable. What I should like to know is: Does AM maintain like, say, Sartre that one is free to choose to be a revolutionary? Such a view of the revolutionary potentiality of an individual would be quite tenable, as it is in the case of Sartre, if and only if AM were ready to strip Marxism of its deterministic core and locate this revolutionary potentiality within the sphere proper to it, namely, the sphere of free authentic individual choice. Perhaps, I am afraid, AM is not fully aware of the implications of the moral issue here involved: his stand is that of neither a good Marxist nor a consistent propounder of free will or any of its Kantian variants.

AM's theoretical contradiction comes to a clearer and sharper focus when we consider that he has accused Buddhadeva of having failed to make the correct and unambiguous social choice. Disregarding for the moment the specific content of his accusation against 'poor BB', we may point out that inasmuch as it was a moral failure, which in AM's opinion it surely was, it was to that extent a personal failure; but here, perhaps without realising it himself, he shifts the burden of the choice from the domain of the collectivistic historical forces to the sphere of individual conscience.

However, this contradiction is nothing new among orthodox Marxists. While they have all along denied rather vociferously the effectiveness, and in some cases the very existence, of authentic individual choice, curiously enough, their lives have often belied the soundness of this philosophical position: despite their class orgins Marx, Engels and Lenin could commit themselves wholly to the task of revolutionary transformation of society. To explain away the evidence of the revolutionary individuals' capacity for transcending the class limitations, they have, it is true, invented the theory of declassed individuals; but the theory goes only to corroborate the ethical view of man which considers him as more or less a free moral agent. Only Marxists have had to make room for such an admission against the overwhelming odds of an economic determinism. Their admission of this inalienable freedom of individual conscience, as a result, has never been woven into an integrated ethical theory.

That the problem is central to a responsible theory of individual commitment has been admitted by even Marxist thinkers. Years ago, N Bukharin wrote in his "Economic Theory of the Leisure Class": "Marx examines the causal nature of the resultants of individual wills, without examining the latter in themselves; he investigates the laws underlying social phenomena, paying no attention to their relation with the phenomena of the individual consciousness."

TRIDIB GHOSE

Calcutta

NEW DELHI

Search for an 'Unconventional' Wizard

B M

FINANCE MINISTER Y B Chavan's letter to state Chief Ministers on the need to exercise discipline in expenditures and raise additional resources has only elicited frivolous comment. Wide publicity was arranged for the letter which has warned the state governments that the Centre will not give them any more special accommodation and that they will, therefore, be well advised to cut down low priority expenditure and embark on additional resource-raising. But only a couple of weeks earlier when the Reserve Bank had refused to honour the cheques of the Karnataka government and Kerala also had reached a similar position, all that the two state governments had to do was to come rushing to New Delhi and secure authorisation for special accommodation. This will always happen as the state governments cannot be left in the lurch in such a situation and they know it. If the Finance Minister were to prove difficult, the state chief ministers can always go over his head.

This is not, however, the most important aspect of the Finance Ministry's directive to state governments about the management of their finances. What is important is that the state governments have been asked to take measures at once to raise additional resources. The measures proposed are not new — securing a better return from past investments in irrigation and power through higher irrigation and electricity rates, some form of tax on agricultural incomes and several other suggestions of a similar nature which have been discussed between the Centre and the states in various forums and on different occasions for the last ten years. There is always agreement in principle on these measures, but nothing gets done in practice. There is much scope for taxing the agricultural sector and the case for taking steps to raise resources from this sector is so well established that it is not necessary to go over it again. What then stands in the way of action in this crucial area of resource-raising?

Vast sums have been pumped into the development of agriculture in the last two decades. Most of these resources and the benefits arising from their use have been monopolised by a narrow upper crust of rich farmers. At the same time, adequate returns from these investments have not been forthcoming. Thus even the operating costs of irrigation works and power schemes are not recovered. The Venkataraman Committee had gone into this question way back in the mid-sixties and recommended increases in irrigation and electricity rates. Though these recommendations were accepted by everybody, they have not been implemented. Similarly, the question of taxing agricultural incomes, both from the point of view of social justice and raising resources for development, was raised by D R Gadgil, the then Deputy Chairman of the Planning Commission, in 1968. This question too has been discussed again and again and there has been agreement in principle on the need to tax agriculture. And yet two years have gone by without any action being taken on the Raj Committee's proposals.

The case for taxing agricultural incomes has become stronger with every increase in the procurement prices offered to rich farmers and with the windfall incomes that they have made by exploiting shortages in the last two years. Actually, the reluctance to tax rich farmers has grown stronger. This is hardly surprising. If the Central government finds it so difficult to resist the pressure of the rich farmer lobby on the question of fixing procurement prices, the state governments, which feel their pressure from closer quarters, cannot but be expected to fight shy of taxing their incomes. The issue is not economic but political.

This came out sharply at the meeing of the full Planning Commission held earlier this month. When the members of the Commission pleaded for raising additional resources, they had not bargained for the sharp rebuff that they received. As usual, they were ready to settle for a general affirmation of the government's anxiety to save the Plan and to mobilise resources. But this time the Prime Minister told the planners unequivocally that there was no question of taxing agriculture, adding that none of the experts in the Planning Commission and in the government or for that matter even outside the government seemed to her to have a realistic appreciation of the political factors and constraints applicable to these matters. Agriculture could not be taxed for political reasons and so alternative ways of financing the Plan would have to be found. After being rebuffed in this manner, the planners turned to the Finance Minister with their pleas for raising resources. His response too was cold; he made it clear that it would be impossible for him to attempt to raise additional resources given the state of the economy and the political situation. The planners were simply left high and dry.

The Planning Commission's own ideas on resource-raising had been modest. Reports which mentioned gold control and ceiling on incomes and expenditure as the proposals of the Planning Commission for raising additional resources were the result of a mistake. Mohan Dharia, Minister of State of Planning, had submitted his own ideas on the subject which had not been endorsed by the full-time Members of the Commission or its Deputy Chairman. But Dharia's note had been nevertheless placed on the files for the full meeting of the Commission. This gave rise to the wrong impression that this was part of the Commission's proposals which were rejected by the Finance Ministry. Anyhow this mix-up was all of a piece with the release to the press of the Dharia Committee's report recommending extension of the public distribution system to ten more items of mass consumption besides foodgrains, just when even the existing public distribution system in foodgrains is in the process of being dismantled. All the effect that such incidents now have is to make the Planning Commission an object of ridicule in ministerial circles and in the Finance Ministry in particular.

The other highlight of the meeting of the Planning Commission was the expression of the Prime Minister's continued unhappiness over the absence of an economic wizard who would deliver the goods without asking for unrealistic measures which were not politically feasible. The idea of holding the meeting was to place the issues facing the Commission squarely before the Prime Minister and to ask for clear directives on various policy parameters. The Commission wanted to know what exactly should be its policy assumptions in regard to foreign aid, the public distribution system and resource-raising in making its plan exercises. The response to this was that the Commission had to find solutions within the existing political constraints. To this was added the remark that none of the experts had so far offered such solutions. The Prime Minister's widely reported call for 'unconventional' measures and solutions indeed hinted at giving up much of the basic assumptions of planning, not merely those contained in the Fifth Plan document but also those underlying the entire planning process since its inception. After the exit of B S Minhas, in individual terms the Prime Minister's remarks could be seen as directed against S Chakravarty who is the only expert Member left in the Commission.

The Planning Commission's plight is really pathetic in these circumstances. It has wisely decided to put off all work on updating and revising the Fifth Plan. But it passes one's comprehension why it decided to put together the kind of Annual Plan for 1974-75 that it has when it knew that by the time the Plan was presented to Parliament the bottom had been knocked out of it. Consider, for instance, the reiteration of the figure of the Budget deficit of Rs 125 crores as the safe limit for deficit financing during the year, in modification of its earlier recommendation against any deficit financing at all during the Fifth Plan period. However, even this figure of Rs 125 crores has already become irrelevant. The same applies to the cost estimates of projects and programmes included in the Annual Plan.

The full meeting of the Commission was supposed to have been called to look for ways to salvage the Annual Plan. That this became necessary within two weeks of the presentation of the Annual Plan to Parliament is itself proof of the aimless working of the Commission. Even the Plan for the much-advertised core sector has ceased to be viable. It is estimated that the core sector of power, steel, fertiliser and coal alone will require Rs 400 crores more if the physical targets set in the Annual Plan are to be achieved. Since raising additional resources is ruled out and there is little cushion in the Annual Plan for diverting resources from other sectors — the social and welfare services having been cut to the bone already — there appears to be no way of avoiding large shortfalls in the core sector.

The Planning Commission did muster courage to express the opinion, in as mild terms as it could, that any weakening of the public distribution system would be very harmful and would add to inflationary pressures. There was an implied criticism here of the decision to abandon the takeover of trade in foodgrains without consulting the Planning Commission. But this subdued manner of confronting the government on policy issues did not create much of an impression. On the contrary, the Prime Minister's new-found preference for 'unconventional' solutions is leading the government headlong on the path of lifting price and distribution controls.

Nuclear Explosion: Limited Prospects of Peaceful Use

R S Ganapathy

THE long-awaited Indian nuclear explosion took place on May 18 in Rajasthan. The basic technology for making a nuclear bomb and the explosion device is the same, but there are differences in design, configuration and incorporation of safety features. The material suitable for use in nuclear explosives is either U-235 or PU-239. India does not at present have any stock of U-235 free for use in explosives. However, it has a stockpile of 100 to 150 kg of PU-239 from its research reactors at Trombay. The present explosion, it can be estimated, required about 8 kg of 95 per cent PU-239 for yielding a 15-20 kiloton (in equivalent terms of TNT) explosion. This Plutonium is free from 'safeguard' conditions and India is free to use it as it chooses to. The Plutonium produced in Tarapur and Rajasthan are subject to safeguard clauses and cannot be used for explosives. With the commissioning of the Madras atomic power project towards the end of the seventies and the Narora atomic power project in the early eighties, enough Plutonium will be produced free of safeguard conditions. However, this Plutonium would be necessary for our breeder programme. An additional 100 MW thermal research reactor is being constructed at Trombay which will also produce Plutonium for possible use in explosives. After it is commissioned, the total production of Plutonium from research reactors would be nearly 20-25 kg per year, enough for 2-3 devices similar to the one exploded recently.

The possible applications of peaceful nuclear explosions (PNE) fall into three categories:

(a) Contained applications: These are basically underground applications where the nuclear explosion is contained. These can be used for gas and oil stimulation in depleted fields where permeability of rocks is low. Storage reservoirs for petroleum and gas at high pressure can also be created. Other applications of such explosion are oil shale retorting, *in situ* copper leaching, recovery of low grade ores, block cave mining, disposal of radiation wastes, geothermal heat recovery and sealing off underground fires in oil fields or coal mines.

(b) Excavation applications: These are essentially surface applications where the explosion is not contained. These are technically much easier to conduct and more economical than contained applications. Some examples of such applications are construction of harbours and waterways, development of water reservoirs and dams and removal of large quantities of earth for mineral exploitation.

(c) Scientific applications: These fall in the category of scientific studies or research and development. While they contribute to the advancement of knowledge in this area, they are usually incidental to the applications mentioned earlier. Some examples are neutron experiments, heavy element studies, seismic experiments and radiochemical analyses.

Apart from scientific and technical capabilities in design, metallurgy of explosives, manufacture of fusion and detonation equipment and nuclear engineering, several other factors are critical for the success of these explosions. These are:

(a) minimisation and containment of the radioactive wastes and fallout so as not to disturb the ecology significantly;
(b) minimisation of ground motion to avoid earthquakes, etc;
(c) avoidance of contamination of groundwater aquifers.
(d) adequacy of treatment facilities to purify products like oil, gas or water available from the site of explosion; and
(e) considerable knowledge of geological and hydrological conditions at site.

These factors are not always easy to control or comprehend fully and hence in many experimental explosions conducted all over the world, the effects

have not been according to predictions. Obviously modelling all the variables involved or affected by the experiment is not an easy task as the system conditions are very complex. The results of the Indian experiment will probably be known after six months of data collection and analysis.

What did it cost the nation? The explosive alone would have cost (according to a UN study) Rs 15-20 lakhs. The costs of on-site survey and engineering, drilling, emplacing the equipment, sealing, moving local inhabitants and inspection, clean-up operation after detonation and experimental analysis for determining yield, etc, would be another Rs 50-80 lakhs depending upon the accuracy of results needed. However, if tests are planned in a series, costs would come down dramatically or would even be halved. Should the nation spend Rs 65-100 lakhs on an explosion like this? What does India gain from it?

The economic impact of this new capability is, however, not very clear at the moment. The USA and USSR have conducted a large number of experiments but have not been able to use this knowhow to significant economic advantage. While the potential appears to be considerable, it has not found any commercial scale application. There are still several technical problems to be overcome. India probably will have to invest considerable resources in conducting such experiments in a variety of site conditions over at least the next ten years before it can think of any major application. Some potential applications appear to be (a) stimulation of Koyali and Assam oil and gas fields which are getting depleted; (b) release of groundwater resources in Rajasthan; (c) recovery of low grade copper, uranium, lead and zinc ores; (d) recovery of geothermal heat in selected geyser locations; (e) building of waterways and canals linking Ganga and Cauvery; (f) silt removal in river beds and harbours; (g) construction of highways and all-weather roads in hilly terrains of North-East India; (h) blasting the Western Ghats in selected places to improve the rainfall and climatic conditions in the Deccan plateau.

These applications, however, are all for the present on paper only. Considerable progress has to be made in earth sciences, ecology and safety standards before they can become realities. While studies and experiments might continue, it is the experience of several countries that efficiency and reliability of the end results (e g, long-term stability of the excavation/crater against seepage, weathering, seismic motion or undercutting of slopes by wave or swell action) can be ascertained only by full-scale projects. The caution with which the peaceful nuclear explosions programme is being pursued elsewhere is best reflected in the statement that "Plowshare [the American peaceful explosions programme] is a race in which everybody wants to be second".

For India, the next decade holds limited possibilities in this field. Surface applications (in spite of the prohibitions imposed by the limited test ban treaty) under controlled conditions appear to be more feasible. A programme with a high degree of coordination among AEC, the Geological Survey of India, ONGC, user agencies, etc, needs to be worked out. A series of experiments under differing site conditions would be necessary. The country has invested nearly Rs 930 crores (at 1972-73 prices) in the last 20 years on the atomic energy programme. A carefully worked-out policy is necessary to make this considerable investment to yield commensurate returns.



RAILWAY STRIKE

The Mid-Night Knock

(From a Special Correspondent)

GROWING acquaintance with instances of the application of strong-arm methods may make people indifferent to atrocities perpetrated under official auspices. True, in the present circumstances, even sharp questions raised through the public media might not have much of an impact on a government which has apparently prepared itself to meet practically all eventualities. Nonetheless, till as long as the nation keeps swearing by democratic principles, protests need to be recorded, even if these are no more than empty formalisms. The manner in which the Union Government has gone about to crush the railway strike bears the hallmark of the darkest authoritarian regimes.

When the railway unions, over a hundred of them, served the necessary notices of the strike under the Industrial Disputes Act, silence reigned in official quarters. The government had more than a fortnight during which to challenge the strike notices. It chose not to do so, and, in fact, went through the motion of continuing negotiations with the representatives of railway employees. It was only on the morrow of George Fernandes's arrest that suddenly the world was informed that, under the Defence of India Rules, the proposed strike was illegal. Under the DIR, any and every inequity can of course be perpetrated, or sought to be made valid retrospectively.

One has read a lot about the dreaded mid-night knock which is the staple of all authoritarian regimes: a direct taste of that was forthcoming as union leaders, totally taken unawares, were picked up in their hundreds from May Day onwards. Besides, on the eve of the strike, through a simple administrative circular, the provisions of the Payment of Wages Act were suspended, thus freeing the Indian Railways from the legal obligation to pay railway workers the wages they had earned during April. The ploy could not be more crude: deny the employees their wages, the wages which were their due and thereby you would be able to weaken their will power; maybe, as a result, they would be somewhat more amenable to exhortations not to join the strike. Even if the exhortations fail and they do join the strike, given the paucity of funds, their will to be on strike would snap within a short time.

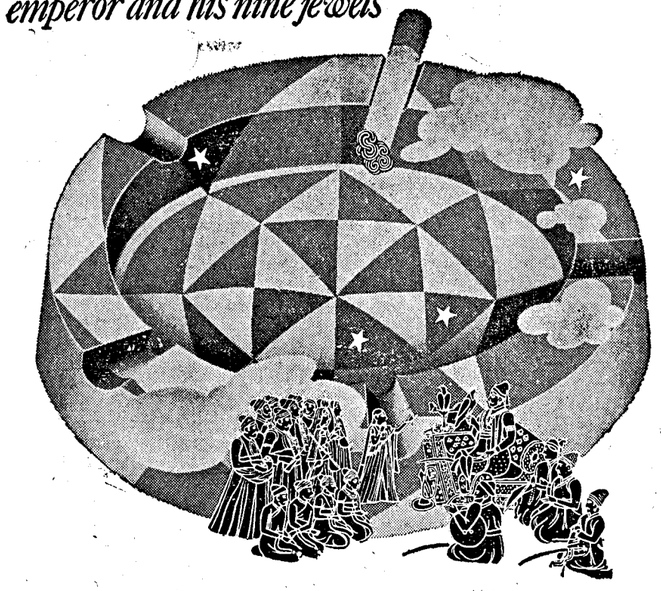
This was a despicable manoeuvre, and does not behove a government which still has pretensions to observing democratic norms. What followed as the strike went into swing has been much, much worse. Reports received from practically all over the country indicate the thoroughgoing manner in which the Railway Protection Force, the Border Security Force, and the Territorial Army, apart from regular units of the police, have raided workers' colonies, terrorised the inmates, tortured relatives of railway employees in order to bully them back to work: physical belabouring, summary evictions and indiscriminate arrests have been the order of the day. These reports could be exaggerated here and there, but they are much too numerous to be ignored; there is also a certain uniformity in the alleged manner of terrorisation which suggests the presence of a set of carefully worked out, centralised directives: otherwise it could hardly have happened that in the Eastern, South-Eastern, North-Eastern, Northern, North-Western, Western, Central and Southern Railways, the same pattern of terror and intimidation would be repeated, for days on end, over and over. It is not the case that there has been no instance of counter-intimidation on the part of the striking workers. Individual employees, who wanted to stick to work, for whatever reasons, must have been occasionally threatened or ostracised by the strikers, or their relatives: blacklegs imported from outside must have also, naturally, received a hostile reception. But one must still not abdicate one's sense of proportion. Qualitatively there can be no comparison between the kind of onslaught unleashed by the government, backed by the combined might of the army, the police and the para-military forces, on the striking groups and what the latter might have done to their non-striking colleagues.

The Prime Minister has stated that she does not want any confrontation with the railway employees; the acts and attitude of her government indicate that altogether contrary is the intention. Either you believe in the notions of democratic behaviour or you do not. By the manner in which they have conducted themselves, the authorities have already made it clear that moral proprieties are for the birds. Since the opposition is weak and disorganised, and the Government has a steam-roller of a majority in Parliament, practically anything can be made to go. The Defence of India Rules and the Maintenance of Internal Security Act are there to ensure that howsoever outrageous the government's conduct, it can still be claimed to have the implicit sanction of constitutional practices. In a way, therefore, the railway strike has served as a reminder that the Emergency and the rule of democratic institutions are irreconcilable existences. Till as long as the Constitution flaunts the Articles supportive of the Emergency, the fundamental rights can continue to be breached merrily, and those who breach them can pretend that everything is being done in accordance with the rule of law.

Does anybody worry about such matters in New Delhi any more? If the democratic tradition is being debauched in this country, the debauching is being done under the government's own auspices. Viewed objectively, the continuance of the Emergency at the present moment has absolutely nothing to do with either the country's external security or its internal law and order. If it is not being revoked, it must be exclusively because it provides a convenient cloak to the rulers for suspending the rule of law and taking recourse to authoritarian instrumentalities. And since the government itself is an active participant in the orgy of despoiling the legal and constitutional process, is there any scope for righteous indignation if, from amongst elements in the opposition, quite a few decide to return the compliment?

Within the government, there are several individuals who, till yesterday, used to describe themselves as champions of trade union rights and democratic practices. While the workers are being mercilessly set upon and their civil and trade union rights trampled, not a squeak has been audible from their quarters. As always, matter has prevailed over the mind: the retention of a job is to be preferred to the retention of one's conscience.

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LONDON

Wilson's Double-Talk

Farrukh Dhondy

THE Conservative party, having been beaten in the February snap election, is counting the blessings of defeat. Its second rank politicians are continually saying that it is quite willing to let Wilson's Labour minority government rule for a year or so without deliberate and concerted filibusters. A narrow parliamentary defeat for the Conservative party seems to have avoided a major political defeat. The Labour government of Harold Wilson hangs by a majority of six over the Conservatives, who could with the 14 Liberals and the rough assortment of Ulster Unionists and Welsh and Scots Nationalists force a re-election at any time. From their parliamentary tactics of taking part in debates but staying away from the lobbies, it seems that the Tories have to work hard to stay defeated and to avoid the embarrassment of another thrashing by allowing the Labour government to try and sort out the mess of industrial antagonisms that they bred.

They can't of course be seen to be turning the other cheek. Consequently they growl in public and make noises about their opposition to 'radical socialism'. This suits Harold Wilson and his balanced Cabinet of righties and lefties. The argument of senior members of the Cabinet is that the balance of power can easily be upset if their promises to the electorate are carried out. Their problem, they say, is finding a veil of moderation for the naked socialism they believe in.

In the first instance, 'moderation' has meant finding parliamentary ways around extra-parliamentary demands. Their manifesto, framed by the political artisans of the trade unions, promised the repeal of two of the Tories' major legislative bases. It also promised the nationalisation of an unspecified number of companies and banks. The nationalisation bogey has been pushed back into the cupboard, and the two acts which they promised to repeal continue to be the bones of contention between a precariously balanced government and its popular base, the trade unions.

The Housing Finance Act, which forces local councils to charge higher rents to their tenants and halts the expansion of state housing, is still with us. For the 15 million people directly and indirectly affected by the Act, it is a bitter pill. The new government is trying its best to sweeten it. On the third day of office, the Labour government passed restraining legislation to freeze rents in the private and state sectors. It promises the eventual disappearance of the Housing Finance Act and is looking at immediate ways to pass pennies back to the electorate through food subsidies so that it can claim to have kept its 'social compact' with the eleven million unionists of the country, to whom it promised a better standard of living without immediate wage increases.

It is too early to say whether the unions have bought the line. There are signs that the 'compact' (Harold Wilson's term) is loosening. Lower paid groups like the teachers and nurses, not to mention the higher paid engineering unions, are demonstrating their impatience. In the main the unions are co-ordinating the restraint which the compact calls for, but the rank and file of the unions are calling for a speedy end to the compact itself — a precarious enough situation for any government, made even more so by the climate of scandal that surrounds the government.

The British press, almost envious of the American focus of Watergate, has in the past month staged its own drama. The present government's record of small scandals is perhaps more interesting than its legislative achievements. In its first week, the government's sincerity was called into question by the disclosure that Harold Wilson, the declared enemy of Tory style property speculation, was associated with a very shady deal. His office manager, who is also the brother of his private secretary Marcia Williams (she has now been elevated to a life peerage), besides being his golfing companion, happened to be involved in a finance deal of a speculative nature. Even though Wilson wasn't directly involved, he admits that he knew of the land deal which Anthony Field pulled off in partnership with Millhench who is now in jail pending trial for the forgery of Wilson's signature on House of Commons notepaper. The forgery, it is implied, was perpetrated in the course of a transaction which involved the purchase of land by Wilson's manager at a low price and its sale at a phenomenal profit.

Harold appeared on TV to deny any involvement in the deal, but attempted to draw some flimsy and cringing distinction between speculation and reclamation. In order not to seem as though he was praising the entrepreneurial spirit, he added that the only solution to the problem of land profits was the nationalisation of all development land for housing and industry — another vague promise large enough to be postponed till the day when Labour have a firm majority.

As that scandal died or lay down, the *Daily Mail* revived another by doing an expose of corruption in the north-eastern Labour Party and its members in local and national government. Ted Short, Deputy Chairman of the Labour party, on his own admission took cash gifts from a T Dan Smith, also of the Labour party, who has been convicted for accepting bribes from the building contractors firm of John Poulson. Short is in the embarrassing position of being a member of a parliamentary committee on the registration of the financial interests of all members of the House of Commons. Short refuses to resign, even though his integrity is severely in question. Between gentlemen, these things pass for everyday activity, and the Cabinet supports its man. The unions are passing resolutions demanding his resignation. The leaders of the Boilermakers Union, have demanded a full enquiry within the Labour party into the corruption of the party in the north-east. If heads must roll, as the Labour party knows they must, better that the executioners be from within the party itself. The press is not satisfied and the heat is on Wilson. Speculation and bribery are not misdemeanours which bring Western governments down, but they are hardly a good start for a government that claims to be dedicated to a policy of social equality.

If the Labour party is to be the machinery of redress of social inequality, it must deliver the goods. It can't, even in the short term, rely on the tenuous emotional links it has with what it calls "the common man". So far it has only managed to prove that the British parliament is an instrument of pragmatic capitalism. Despite making strong protests against the Chilean military regime when it was not in power, Labour is now willing to sell warships to the junta in Chile. The cancellation of the orders would cost Britain too much too soon and may jeopardise its vital copper imports from Chile.

The main issue, of course, is the basic economic one, the one that brought this government to power. It promised the electorate an end to the statutory

wage freeze and the repeal of the Industrial Relations Act. The repeal of the Act is on the legislative timetable and even with a minority it is likely that the government can pull it off. It has not yet set a date and has so allowed itself to become an unwilling actor in a comedy of spite. The Industrial Relations Court, set up under the Tories to run the Act — which basically deprives workers of the right to strike, takes closed shop powers away from the unions, puts a ban on effective picketing and allows industry to defy the demand for unionisation of the work force — has continued to take the unions to task. The Court recently awarded £ 47,000 damages to a firm called Con Mech, to be paid from the funds of the Amalgamated Union of Engineering Workers (AUEW). The assets of the Union were seized by the Court through the banks from which the fine and costs were to be paid. The AUEW threatened severe strike action if the government did not intervene to stop this sequestration and general looting of union funds. There would once again have been bitter deadlock in the country, with an unwilling government supporting a law it plans to do away with. The good fairies of British Industry saved the day. Five firms, it is said, stepped in and anonymously paid the fine and costs awarded against the AUEW.

All in all, timely interventions of unknowns and the opposition parties have connived to keep the minority Labour government in power. So far the workers have been tilting at the windmills that the previous government set up, and Labour has not yet had a chance to put its programme into practice. Promises, promises. It is yet to be seen if that programme will pull the living standards of the workers up or pull the government down.

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Neo-Colonialism at Asian Development Bank Meeting

Harish Chandola

TOWARDS the end of last month, as the Special Session of the United Nations was about to adopt a Declaration placed before it by 77 developing countries on "The Establishment of a New International Economic Order", the outgoing US Treasury Secretary, George Shultz, was outlining his country's plan for continued political and economic domination of the weaker nations, also in the name of establishing a new world economic order. Shultz was doing so at the seventh annual general meeting of the Asian Development Bank (ADB) at Kuala Lumpur, as the head of his country's 60-member delegation, the largest at the meeting, which included members from both Houses of the US Congress.

This report discusses what he said officially in his statement at the ADB meeting and at his press conference, and not his other important statements made informally during his four-day stay in the Malaysian capital, ending April 28, 1974. He began by saying that the old economic order had crumbled the monetary system had been upset, the rise in oil prices had created further monetary instability, there were worldwide shortages of basic commodities, inflation, and the pattern of world trade was changing. The US was for stability and a new world order. It did not want to dominate the world. All it wanted to do was to lay down the rules of a new economic order, according to which all must play.

And what were the rules Shultz wanted to lay down? One of these was that the developing countries should not try to form organisations of producers of raw materials and basic commodities to defend the prices of their exports or to secure favourable prices for them, "as higher prices and conservation efforts dampen demand". He then added: "In the not-so-long-run, however, high prices will stimulate a creative reaction — the world's best people and organisations will join in a concerted effort, which will inevitably result in new supplies and undreamed of substitutes, which may affect prices even more dramatically than we dare contemplate ... One thing is certain, the longer prices stay high in the short run, the more likely it is that they will fall sharply in the long run. This has been the history of every other commodity in the past".

While Shultz was speaking in Kuala Lumpur, the Special Session of the UN was finalising an Action Programme aimed at putting the Declaration on a new economic order into effect. It called upon the developing countries to promote and expand producers' associations and joint marketing arrangements so as to improve their income from export commodities.

But Shultz tried to show that a major power like his country was really not affected by economic pressures like the one exerted recently by the oil producing countries. He said the Arab oil producers attempted to put pressure on the US to change its foreign policy by imposing an oil embargo on it and also by raising their oil prices. The increased oil prices crippled the economies of the developing countries, but did not affect the US much.

However, later in his statement Shultz contradicted himself by saying that a major component of inflation in the US has been the cost of energy which contributed 25 per cent to the rise in US domestic prices. It is also not true that US foreign policy has remained totally unchanged after the Arab oil embargo. One can quite clearly see now that the US no longer relies upon the ability of Israel to function as its policeman in West Asia. A few days before Shultz made his courageous statement in Kuala Lumpur that US foreign policy was totally unaffected by the oil embargo, political observers had witnessed the US, for the first time in history voting for a resolution in the UN Security Council condemning Israel for its raids on Lebanon.

Shultz also stressed that the economic crisis in the developing countries could only be solved by their producing more. For that they needed the inflow of private capital from developed countries. Their problems were not going to be solved by the little loans or development assistance provided to them by the ADB and others. The US, he said, was prepared to provide them with private capital and modern technology. But its attitude toward "development assistance is a closely questioning one", he said. Private capital could however flow to the developing countries only when it was assured of reasonable return and security and conditions were not imposed upon it to "deter its flow".

The other law Shultz tried to lay down was that the developing countries should keep their markets open to goods from the developed. (He obviously meant, from the US.) This, he said, was in the interest of free, unrestricted world trade. The US would legislate for the preferential entry into the US market of products from developing countries. The developing countries should also, therefore, open their markets to US goods because this was their "reciprocal responsibility". He totally ignored the effect this would have on the process of development in the developing countries.

The UN Declaration on the Establishment of a New Economic Order, adopted on May 1, stands against most of the laws proposed by Shultz. The UN Declaration calls for full permanent sovereignty of every state over its natural resources and all economic activities. It says that in order to safeguard these resources, each state is entitled to exercise effective control over them and their exploitation with means suitable to its own situation, including *the right to nationalise* or to transfer ownership to its nationals, this right being an expression of the full permanent sovereignty of the state. It says that no state may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right. It also states that every country has the right to adopt the economic and social system that it deems to be the most appropriate for its own development and not be subjected to discrimination of any kind as a result.

It calls for a just and equitable relationship between the prices of raw materials, primary products, manufactured and semi-manufactured goods exported by developing countries and the prices of raw materials, primary commodities, manufactures, capital goods and equipment imported by them, with the aim of bringing about a sustained improvement in their unsatisfactory terms of trade and the expansion of the world economy.

The Declaration seeks to ensure that one of the main aims of the reformed international monetary system shall be the promotion of the advancement of the developing countries. It calls for measures to check the inflation already experienced by the developed countries, to prevent it from being transferred to

ANNOUNCEMENT REGARDING THE ISSUE OF 30,000 9.8% REDEEMABLE CUMULATIVE PREFERENCE SHARES OF Rs. 100/- EACH FOR CASH AT PAR.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS. PERSONS INTERESTED IN ASCERTAINING FULL DETAILS MAY OBTAIN COPIES OF THE PROSPECTUS AND APPLICATION FORMS FROM THE REGISTERED OFFICE OF THE COMPANY, BROKERS, BANKERS AND UNDERWRITERS TO THE ISSUE MENTIONED BELOW.

THE SUBSCRIPTION LIST WILL OPEN ON TUESDAY, THE 4TH JUNE, 1974 AND CLOSE ON TUESDAY, THE 11TH JUNE, 1974, OR EARLIER, BUT NOT EARLIER THAN SATURDAY, THE 8TH JUNE, 1974.

HISTORY & BUSINESS

The Company was incorporated on 9th November, 1962, under the name and style of Firth Sterling Steel Company of India Ltd. The Company's name was later changed to Firth (India) Steel Company Ltd. in December, 1972.

The Company set up a plant in 1966 at Thane, Maharashtra, for processing and rolling of Alloy and High Speed Steel billets and has established itself as a major supplier of quality products.

PROPOSED PROJECT

The Company is setting up a plant at Nagpur, with an annual production capacity of 6,000 tonnes of billets of different Alloy Steels — including High Speed, Die, Ball Bearing, Valve and Constructional Steels. As this is an integrating process, the Company hopes to increase the utilisation capacity of the existing plant at Thane to over 90%, with the implementation of the proposed project, as against the present plant utilisation levels.

The Company has entered into Technical Collaboration Agreement with Firth Brown Ltd., the oldest and largest Alloy Steel Plant in the U.K. The Company would receive technical advice and know-how from the collaborators. The collaborators would also train the Company's personnel and depute specialists to render technical aid and advice for the Project.

FIRTH (INDIA) STEEL CO. LTD.

(Incorporated on 9th November 1962, under the Companies Act, 1956)

Registered Office: PLOT No. F-3, ROAD No. 22, THANA INDUSTRIAL AREA, THANA 400 604

PROJECT PLANNING STATUS

The work is progressing fast. Land has been acquired. Civil works are nearing completion. A major portion of the Plant and Machinery have been ordered according to pre-determined schedules. Other infrastructure facilities like power, water, etc. have been taken care of. The commissioning of the Forge Shop, the Rolling Mills as well as the ESR plant and other imported equipment will be progressively undertaken during the latter half of the current year. No difficulty is envisaged in successfully implementing the project in view of the combined resources of the Company's professional management and that of the Consulting Engineers, M. N. Dastur & Co. Private Ltd. who have been retained on a turn-key basis, with a time-bound programme.

PROJECT PROFITABILITY

With 40% of plant utilisation capacity in the case of High Speed Steels and 30% in the case of Alloy Steels, the Company has been regularly declaring a dividend of 10%. With the proposed expansion and diversification of product-mix, the Company expects to achieve 90% of plant utilisation capacity. High Speed Steel and Alloy Steel prices are soaring the world over. There is an acute shortage of special-purpose steels the Company would be manufacturing. Thus, the growth and profitability prospects are very attractive

SHARE CAPITAL

	Authorised	Rs.
17,00 000	Equity Shares Rs. 10/- each. and-	1,70,00,000
30,000	9.8% Redeemable Cumulative Preference Shares of Rs. 100/- each	30,00,000
	Total:	2,00,00,000
	Subscribed	
4,96,150	Equity Shares of Rs. 10/- each fully paid up Of the above, 14,285 Equity Shares of Rs. 10/- each have been allotted as fully paid-up pursuant to a contract without payment being received in cash (as mentioned in the Prospectus).	49,61,500
	Forfeited Shares (amount originally paid on 3,250 Equity Shares of Rs. 10/- each	17,250
	Total:	49,78,750

(NOTE: The Company proposes to issue 5,00,000 Equity Shares of Rs. 10/- each at par as Right Shares to the existing shareholders in the ratio of 1:1)

NOW OFFERED FOR SUBSCRIPTION TO THE PUBLIC FOR CASH

30,000 9.8% Redeemable Cumulative Preference Shares of Rs. 100/- each at par (Free of Company's tax but subject to deduction of tax at source at the prescribed rates) and redeemable at par after twelve years but before the expiry of fifteen years from the date of allotment 30,00,000

TERMS OF PAYMENT

	Per Share Rs.P.
On Application	25.00
On Allotment	25.00
	50.00

Balance of Rs. 50/-shall be payable in one or more calls as may be decided by the Board of Directors.

PROJECT COST

	Rs. in lakhs
Land (including development, levelling, etc.)	8.07
Buildings	34.14
Plant & Machinery (including foundation & installation)	145.06
Expenses on foreign technicians and training Indian technicians	2.50
Miscellaneous Fixed Assets, Furniture, Fixtures, Office Machines, Vehicles, Laboratory Equipment, Machinery Stores, etc.	45.04
Expenses during construction	30.82
Preliminary & Capital Issue expenses	1.75
Provision for Contingencies	14.00
Provision for margin money	10.00
Engineering Services Fees	19.00
Total	310.38

SOURCES OF FINANCE

Issue of Right Equity Shares at par	50.00
Reissue of Forfeited Shares at par	0.38
Preference Shares now being issued at par	30.00
Term Loans from Public Financial Institutions:	
Industrial Finance Corporation of India (IFC)	115.00
The Industrial Credit & Investment Corpn. of India Ltd (ICICI)	75.00
The State Industrial & Investment Corporation of Maharashtra Ltd. (SICOM)	40.00
Total:	310.38

UNDERWRITERS

The entire issue of 30,000 9.8% Redeemable Preference Shares of Rs. 100/-each at par has been fully underwritten as follows:

Names & addresses of the Underwriters	*Amount underwritten* (Rs. in lakhs)
Life Insurance Corporation of India, Yogakshema, Jivan Bima Marg, Bombay 400 020	15.00
Industrial Finance Corporation of India, 16, Parliament Street, New Delhi 110 001	10.00
The Industrial Credit & Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay 400 020	5.00
Total:	30.00

BOARD OF DIRECTORS

Mr. M.P. PAI (Chairman)
Parijathak Road No. 12, Banjara Hills, Hyderabad. 500 034
Company Director

Director: Larsen & Toubro Ltd
Chairman, Kiran Advertising (Pvt) Ltd.

Mr. I. M. PAI (Managing Director)
'Alankar', 5/251, Sion Road, Sion, Bombay 400 022.
Industrialist

Chairman: Canara Wire & Wire Products Ltd., Canara Steel Ltd., Powder Metals & Alloys Pvt. Ltd.
Director: General Electrodes & Equipment Co. Ltd., Bahco Taparia Tools Ltd

Mr. K. N. SAMANT
(Executive Director)
Turner Road, Bandra, Bombay 400 050.
Industrialist.

Managing Director: Powder Metals & Alloys P. Ltd.
Director: Bell & Co. Ltd. and others.

MR. D. S. MULLA
17, Cuffe Parade Bombay 400 005
Consulting Engineer

Director: Fuel Injections Ltd. Mukand Iron & Steel Works Ltd. Electronics Ltd. Bajaj Auto Ltd. Scottish Indian Machine Tools Ltd. and others

Mr. V. G. RAJADHYAX
G/6, Saraswat Colony, Sitladevi Temple Road, Mahim, Bombay 400 016
Business Executive.

Joint Managing Director. Accumax Ltd.
Director: Ujwal Foundry Pvt. Ltd.

MR. T. R. U. PAI
Chitrakala, Manipal (Karnataka)
Industrialist.

Director: Canara Wire & Wire Products Ltd. Corporation Bank Ltd. Sharuka Steel Ltd. Skol Breweries Ltd. Canara Steel Ltd. and others

MR. M. L. BHAKTA
Manu Mansion 475-79, S.V.P. Road Bombay 400 004.
Solicitor.

Director: Tesseels Ltd., Universal Dyestuff Industries Ltd., The Arvind Mills Ltd., Vazifdar Hotels Ltd., Ramon & Demm Ltd., U.S. Vitamin & Pharmaceutical Corpn. (India) Ltd. and others.

MR. N. M. PAI
Sneha Deep' Naupada, Thana 400 602
Business Executive

Director: Powder Metals & Alloys Pvt. Ltd.

DR. R. R. HATTIANGADI
Sundatta Apartments 10A, Mount Pleasant Road, Malabar Hill, Bombay 400 006
Technical Consultant.

Director: Bombay Oxygen Corporation Ltd. Bombay Paints & Allied Products Ltd., Sundatta Foods & Fibres Ltd., United Commercial Bank Ltd., and others

SECRETARY

MR. B. N. BAPAT
M.Com., A.C.A., A.C.S.
'Mamata' Baji Prabhu Deshpande Road Naupada, Thana 400 602.

AUDITORS:

Messrs. Ford, Rhodes, Parks & Co., 45/47, Bombay Samachar Marg, Bombay 400 023

SOLICITORS:

Messrs Kanga & Co., Readymoney Mansion, Vir Nariman Road, Bombay 400 023

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D. S. Purbhoodas & Co., Stock Exchange New Building, Bombay Samachar Marg

Dhirajlal Maganlal & Sons, Stock Exchange New Building, Bombay Samachar Marg

Harkisondass Lukhmidass, Stock Exchange New Building, Bombay Samachar Marg

K. J. Shah & Sons. Stock Exchange Cantral Building, Bombay Samachar Marg

Lewis & Jones, Bank of Baroda Building, Bombay Samachar Marg

L. K. Panday, Bank of Maharashtra Building, 45/47, Bombay Samachar Marg

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M. M. Murarka & CO.
1/B, Mandeville Gardens.

Place, Siddons & Gough Pvt. Ltd., 6, Lyons' Range

Stewart & Co., 14, India Exchange Place

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Bharat Bhushan & Co., H-45, Connaught Place

Harbans Singh Mehta & Co. 33, Regal Buildings, Parliament Street

Vinod Kumar & Co., A-8, Connaught Place

MADRAS

Chitra & Co., 322/323, Linghi Chetty Street

Paterson & Co., Vanguard House, 11/12, Second Line Beech

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BANGALORE

M. Nanjappaiah Jahgirdar, 205, Cavalry Road

HYDERABAD

P. B. Afzulpurkar, Sultan Bazar

INDORE

Pushkarlal Ghudawala 44, Bada Sarafa

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and Main Branches at:

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and Main Branches at:

Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Madras, Mangalore & New Delhi

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61, Bombay Samachar Marg, Bombay 400 023

developing countries and to study and devise possible arrangements within the International Monetary Fund so as to mitigate the effects of inflation in developed countries on the economies of developing countries. It calls for adequate and orderly creation of additional liquidity with particular regard to the needs of the developing countries through the additional allocation of Special Drawing Rights (SDRs) based on the concept of world liquidity needs to be appropriately revised in the light of the new international environment. It seeks favourable conditions for the transfer of financial resources to developing countries, the formulation of an international code of conduct for the transfer of technology and also an international code of conduct for foreign capital in order to prevent its interference in the internal affairs of the countries where it operates.

Disregarding what the UN was about to adopt, the US delegation came to the Kuala Lumpur meeting of the ADB with very clear-cut ideas of what it wanted the Bank to do. It wanted the Bank to be a financial institution for securing most favourable conditions for private US investment and technology in the developing countries of Asia and to restrain them from forming collective organisations for securing better prices for their exports. The US also wanted the Bank to become an established channel for providing loans to stabilise the economies of the US-client states in Indochina. It wanted the Bank to generally help the US in maintaining its hegemony over the developing countries of Asia and to prevent them from acting independently.

What did India want the ADB to do? India is the second largest potential contributor to the subscribed capital of the ADB (the first being Japan), having pledged US $ 280,476,375, which is higher than the US pledge. One would, therefore, have thought that India would put forward some principles to govern the basic policies of the Bank which would be in the long-term interest of the developing countries. But all that India sought was a minor and short-term concession for them by asking the Bank to begin lending funds to enable them to purchase fertilisers, etc, because of their present economic difficulties.

All member countries of the Bank were in total agreement that the oil-rich West Asian nations should be induced to join the ADB. A few days after the ADB meeting, Indira Gandhi left on a visit to Iran to strengthen India's ties of friendship and co-operation with it. In pursuance of this policy, the Indian delegation to the ADB could have proposed Iran for membership of the ADB. But it did not. It was the Japanese President of the Bank, Shiro Inoue, who at the end of the meeting announced that he would soon be paying a visit to Iran to invite it to join the ADB.

Effective Control

What does India get out of the ADB? Unlike other member countries, it does not draw loans from the Bank. The largest subscriber to the Bank's capital, Japan, also does not obtain loans from it. But Japan sees to it that the money given out in loans flows back into Japan in the shape of procurements for the projects for which the loans are sanctioned. A condition of the ADB loans is that the countries or organisations that get them must call for international tenders for both the materials and services required for the projects for which the loans have been sanctioned. Sixty per cent of the total procurements for these projects go to Japan. India gets about five per cent. Japan has effective control of the Bank. The Bank has so far had two Presidents and both of them were from Japan. It is unlikely that the Bank will in the near future have a President from any other country.

Which are the regimes benefiting in a big way from ADB loans? They are: Taiwan, which has received US $ 100,390,000; South Korea, $ 247,700,000; South Vietnam $ 24,200,000; Philippines, $ 183,850,000. Thailand, $ 122,000,000; and several other countries. And most of the loans are not for direct benefit to their peoples, as they are not for education, agriculture or rural development. The loans are often for the direct benefit of foreign private capital and the local rich, for projects like the development of fancy airports and five-star hotels.

PERSPECTIVES

Relevance of Raja Rammohan Roy: Some Moral Implications

Sudhir Chandra

WHATEVER the 'purist' might say about the abuse of his discipline, it is the search for contemporary relevance that accounts in a large measure for the popularity of history. The present provides the perspective for the study of the past. Often it is not even a study of the past, but just a backward projection of the study of the present. Serious methodological objections can be raised to this kind of an academic exercise. Yet, it is possible to practise, at a fairly serious plane, a variety of history that is professedly present-oriented and utilitarian. But this is an exercise which, if it is not to degenerate into sheer propaganda or wishful equations, calls for a candid appraisal of the moral and logical implications of the basic premises of those undertaking such a study. Moreover, since such a dialogue between the present and the past cannot but be valuational, it should be possible to identify where the present is impinging upon the past, and *vice versa*. These assumptions are implicit in the discussion which follows. It is aimed at highlighting some moral implications of the relevance of Rammohan Roy for us today.

Rammohan came of age during a critical juncture in Indian history. The traditional modes of perception and behaviour tended to become progressively inadequate for effectively responding to the situation created by the multifarious changes occurring in the wake of British rule. The old was threatened. The new was yet to begin. It was a baffling situation. Not many people, either among the rulers or among the ruled, knew precisely what was happening.

But the situation had to be responded to. Some responded to it by withdrawing themselves into a kind of hard shell. This was the orthodox attitude typified by Raja Radhakant Deb and the Dharma Sabha. Then there were those who failed to have sufficient patience with their own society and thought that their salvation lay in denouncing their ancestral faith. The Derozians typified this impatience. That, in the event, this approach did not satisfy is clear from the subsequent be-

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At BHEL, the employees get the opportunity to qualify themselves further, undergo specialised on-the-job training in a field most suited to their aptitudes. Their achievements are promptly rewarded with promotions to senior positions and financial incentives. This is how the greatest success in industry has been achieved. By never forgetting how important the employees are. By treating every day like the May Day.

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BHEL takes every possible step to give its employees a prosperous career and a happier home. BHEL has gone even ahead of our times by signing a bipartite agreement, a major step towards evolving a national wage policy.

For the first time in the industrial history of India, the staff and the management have arrived at a mutually beneficial settlement — voluntarily and without involving a third party.

Welfare Schemes for the entire families of employees help restore peace and happiness to thousands of homes. Amenities to staff compare with the best anywhere in the country. Technicians are sent all over the world for training in the most up-to-date techniques in power generation and utilization.

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Naturally, today BHEL can turn out power equipment as modern as any other country in the world can. Productivity per employee touched Rs. 53,000/- per year in 1973-74, as against Rs. 36,600/- in 1972-73 and Rs 29,000/- in 1971-72. Another magnificent demonstration of the May Day spirit by BHEL employees is the fact that *not a single man-hour was lost in all the four units in the last 2 years.*

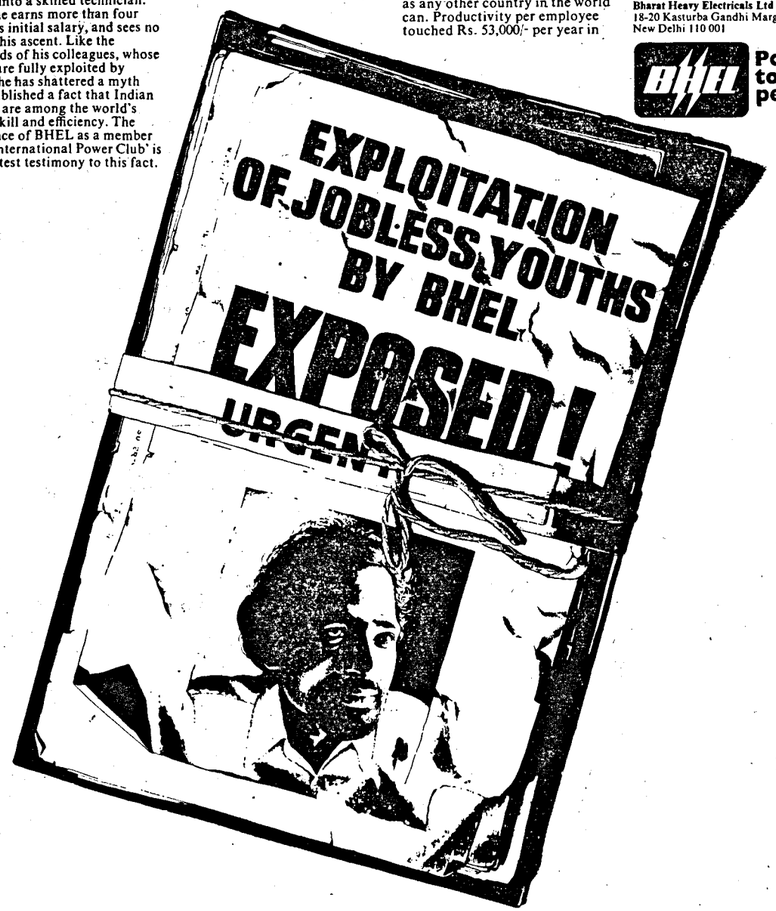
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BHEL Power to the people



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haviour of men like Rev K M Banerji and Ram Gopal Ghosh.

In between these extremes stood Rammohan. He realised not only that human volition ought to influence the development of human society, and that a threat did not cease to operate simply because the people exposed to that threat had shut their eyes to it. He also realised that patience was the necessary virtue of a man who had set out to reform his society. Being thrown out of it as a result of impatient action might be suicidal to the very idea of reform. This was specially so in a society which could employ the powerful deterrent of excommunication.

This explains substantially why Rammohan scrupulously avoided doing things which might have been in consonance with his convictions and personality, but would have brought upon him the wrath of his community. It is difficult to say whether the later Brahmos could have possibly adhered to this watch-word of their spiritual mentor. But the effectiveness of the Brahmos in terms of reforming Hindu society as a whole was definitely reduced as a result of their becoming a separate community. One might argue, though, that the extent of reform achieved by the Brahmos within their own little community would have become well-nigh impossible if they had tried to carry the vast and apparently immobile Hindu society along with them.

This may seem a matter of mere tactical importance. From that point of view much can be said both for and against the approach followed and prescribed by Rammohan. But this also raises a moral issue of great importance for us today. It relates to the obligation of the individual to carry with him the generality of the society in which he finds himself born. It also relates to the social unit to which he has to consider himself accountable. For example, Rammohan was content to confine his solicitude to the Hindus of Bengal. This is not to criticise him. Maybe in the times in which he flourished it was the natural psychological reaction of an Indian to view himself as belonging to his religious community within his own region. There also were reformers, in fact, who could with legitimate pride work for the reform of their own caste. This more or less compulsive limitation of vision regarding the social unit of belonging in early 19th century India explains why Rammohan did not think it incumbent on him to reform the Muslim community of Bengal. But he did consider himself accountable to the society of which he viewed himself as a member.

This moral issue of accountability is one that faces all of us today; that is to say those who are not content with the existing set-up. A number of attempts have been made in recent years to bring about major changes within the existing set-up. All these have failed. The discontent remains. So does the quest for a less inegalitarian and more just social order.

It may be argued that given the unevenness of economic development and political consciousness in different regions of the country, this quest may not be successful if changes have necessarily to be brought about in the whole country at the same time. Political workers and radical thinkers in the more progressive parts of the country may in course of time begin to feel that the whole country being unprepared for the new ideas and the proposed new set-up, they should confine their endeavours to their own particular region only. Implicit in this is a potential dichotomy between national solidarity and the just aspirations of people within certain regions of the country.

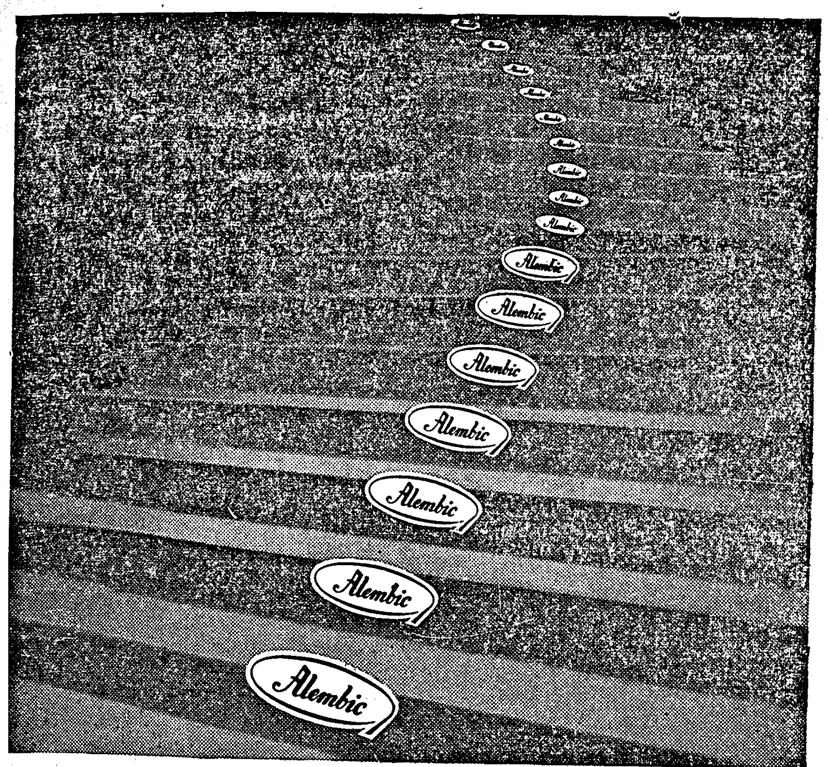
The choice, though at present only hypothetical, is not political. It is a moral choice. For some national solidarity may be just a means to ensure the welfare of man. To some others it may be an end in itself. But whatever be our basic premises and prejudices, it may one day be incumbent on us as thinking men and women to opt for the one or the other choice.

Rammohan was basically a rationalist. As a rationalist he appreciated the limits of rationalism. It was this appreciation which prompted him to work out a compromise between freedom and authority. Freedom was dear to his heart. Born in a traditionally authoritarian society, he was one of the first Indians to breathe in the relatively expansive atmosphere of western concepts like freedom, equality and social justice. Passionately attached to the idea of freedom, he took it to mean not only political but also personal freedom. Reason and freedom went hand in hand. Rammohan could see that in view of the limitations of reason and of human knowledge, no man could be completely free. He had ultimately to fall back upon some kind of authority which provided the starting point for the exercise of freedom. The devotee of freedom and reason in Rammohan thus succumbed to the need for finding ultimate sanction and sought it in the Hindu scriptures. It was not entirely a result of the deliberate assumption of a posture intended to strike a sympathetic chord within orthodox Hindu hearts. Rammohan, it appears, genuinely believed in the pristine purity of Hinduism, and sought in it the foundation for the exercise of freedom and reason.

Rammohan was a cautious reformer. He was a conservative. He would not take ideas to their logical end. Perhaps he realised the importance of the irrational and extra-rational forces within man. Though capable of logical rigour, he realised that perfect logical models existed only in the realm of speculation whereas man lived also by emotions and instincts, and was capable of unpredictable behaviour. Compromise, in these circumstances, became essential for Rammohan. Compromise not for its own sake but as a necessary step towards the final achievement of the set objectives.

We are living in a society which is moving towards totalitarianism. Freedom, which has not yet become with us a habit of mind, is being progressively constricted. Authority of the state, supported by a few shibboleths like socialism, may soon acquire a respectability which it would become sacrilegious to question. Ideas like order, progress, non-violence and democracy are likely to be employed to retain the *status quo,* and to equate with treason any serious attempt at a major institutional change. Rammohan's approach to the question of freedom and authority may suggest interesting parallels and possibilities in a society characterised by the erosion of the democratic process and the persistence of the illusion of justice and welfare.

Which of these parallels and possibilities one chooses will depend on one's frame of mind. That will influence one's understanding of and reactions to both Rammohan Roy and the contemporary situation. For present-oriented utilitarian history is essentially a creative subjective process. But it too has some essence of objectivity. To that extent, whatever one's particular choice, it would not be possible for those studying the relevance of Rammohan today to ignore the threat to human freedom and welfare. For it was these that he earnestly championed and fought for under the rule of an alien and ruthless trading corporation.



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REVIEW OF MANAGEMENT

May 1974

Organisational Effectiveness : A Comparative Analysis

Rajesh Tandon

Administrative Remoteness in Branch Banking

Tushar K Das

European Monopoly Corporations and Indian Entrepreneurship, 1913-1922: Early Politics of Coal in Eastern India

Ratna Ray

Rajat Ray

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And One for the Market

THERE has been, statistics have been adduced to show, an impressive rise in the assistance sanctioned and disbursed by the term-financing institutions for industrial projects in the private sector. This and the larger number of industrial licences and letters of intent issued have been taken to indicate a revival of activity in the private sector segment of industry. The appearance is, however, misleading. Rough and ready estimates show that there has been a decline of about 40 per cent in the retained earnings of the private corporate sector. Fresh capital raised was also lower by about Rs 20 crores in 1973-74, having declined from Rs 90 crores in 1972-73 to Rs 70 crores. And if allowance is made for the sharp rise in the cost of investment, in real terms investment by private sector industry will almost certainly turn out to have shown no rise at all.

Other circumstantial evidence too supports some such conclusion. A major factor influencing investment in the private sector is government or public sector investment. Here there was a further setback last year. Thus the Central government's developmental expenditure, as a proportion of its total expenditure, is likely to have declined to about 46 per cent in 1973-74 compared to 51 per cent in the previous year and nearly 60 per cent at the end of the Third Plan. Similarly, revised estimates put the share of capital formation in the total expenditure of the Central government at 33 per cent in 1973-74 compared to the Budget estimate of 38 per cent and the figure of 48 per cent for 1964-65.

The generally stagnant, or even declining, levels of output of practically all the major investment goods also points against any worthwhile increase in investment in private sector industry. Among the more important investment goods, the output of steel, aluminium and cement has actually declined. There is also acute shortage of other vital items like copper, lead and zinc. Given the severe raw material constraints it is hardly surprising that the output of machinery and equipment has shown a decline.

In the circumstances, any attempt to steer the industrial sector out of stagnation must focus on raising investment in and output of the major capital and intermediate goods. This in turn will require a stepping up of the rate of investment, especially in the public sector. In fact, quite the contrary is happening. The decline in the rate of developmental expenditure and capital formation by the government has been noted. Simultaneously, there has been a progressive dilution of priorities with regard to the allocation of the investment that does take place in the private sector. The so-called streamlining of licensing procedures, which has supposedly yielded such remarkable results in terms of the numbers of licence applications disposed of, is only one aspect of this dilution. As a result, while the private sector has been encouraged to invest in a wide array of non-essential industries — of which the score or more breweries that have sprung up are perhaps the most ridiculous examples — the government has failed to coax private investment into industries like cement, paper and fertilisers. At the same time, public sector projects in these industries as well as in others like steel continue to be stalled for want of resources. Thus it has been estimated that the public sector industrial programmes included in the Annual Plan for the current year will require an additional investment of about Rs 400 crores over and above that provided for. There is, of course, just no possibility that resources of this order will become available. A watering down of the physical content of the industrial programmes is therefore inevitable.

This continuing distortion of the pattern of investment must, among other things, necessarily aggravate the long-term import-dependence of the economy. The allocation of available foreign exchange will get further biased in favour of meeting the so called maintenance import requirements of existing industries, however low priority these may be. A progressively larger proportion of even the aid that is forthcoming will get earmarked for such maintenance imports. Thus far from moving in the direction of self-reliance, the foreign exchange constraint will weigh more and more heavily on the country's industrial development. This is reflected in the government's desperate search for aid and in the bid to woo foreign private investment on various pretexts such as export promotion. However, to focus criticism on these aspects of the government's economic policies would be to mistake the symptoms for the malaise. What is basic to the whole situation is the abandonment of a long-term perspective on industrial development. After all, it is not simply the rise in prices and the consequent difficulties in getting its financial sums right which has persuaded the Planning Commission to give up all attempt to prepare a final version of the Fifth Plan.

Organisational Effectiveness: A Comparative Analysis

Rajesh Tandon

This paper discusses a set of hypotheses about organisational effectiveness. The validity of the hypotheses are examined in the light of a comparative analysis of two units of a company.

In the end, the author makes some further hypotheses which could be tested by future research.

MODERN organisations are complex systems. Faced with the constantly changing internal and external environments, the survival and growth of these organisations depend on the capacity of its different parts and the whole system to effectively and adequately cope with this change. Changing aspirations and expectations of the people, explosions in technology, knowledge and other factors of the external environment present to these complex systems a 'new reality'.[1] The forces dragging the organisation from making a forward thrust have created an 'excellence gap'.[2] If these systems have to survive and grow in a world of increasing changes and uncertainty, "organisational revitalisation has to be achieved through a complex social process".[3] Beckhard[4] maintains that a planned organisation-wide effort is needed to provide positive alternatives to evolution and revolution taking place in and around these industrial systems.

A diagnostic instrument is to be designed which must be capable of providing relevant data about the nature and state of the organisation. To that extent, the instrument must be a balance between generalisation and specificity, that is, it must be able to respond to the specific nature of the organisation on the basis of a valid paradigm to locate its present state. Likert[5] believes that such a facility can be introduced in an instrument by making it capable of measuring the end-result, intervening and causal variables and most significantly, their relationships as maintained in an organisation.

Model

Any model which attempts to outline the state of organisation must be based on certain assumptions about the nature and functioning of organisation. Beckhard[6] has provided some of these assumptions:

[a] The basic building blocks of an organisation are groups.

[b] Reduction of inappropriate competition between parts of the organisation.

[c] Decision-making located at the source of information rather than in a particular role or level of hierarchy.

[d] Parts of organisation manage their efforts against goals and controls are only interim measures.

[e] 'People support what they create'. Participation and sense of ownership is to be developed.

Edgar Schien[7] has mentioned the following necessary conditions for an effective 'adaptive-coping cycle':

[a] The ability to take in and communicate information reliably and validly.

[b] Internal flexibility and creativity to make the changes demanded by the information obtained.

[c] Integration and commitment to the goals of the organisation from which comes the willingness to change.

[d] An internal climate of support and freedom from threat.

Miles[8] *et al* (1966) define the three crucial areas of an organisation:

[a] Task — accomplishment
—clear, accepted, achievable and appropriate goals
—relatively understood communication flow
—optimal power equalisation

[b] Internal integration
—resource utilisation and good fit between personal disposition and role demands
—cohesiveness and 'organisational identity'
—high morale

[c] Growth
—innovativeness
—autonomy
—adaptation
—problem-solving adequacy

James Price[9] has mentioned some propositions:

[a] Greater the articulation, greater the co-ordination and greater the effectiveness.

Co-ordination is facilitated by
—clarity and conformity of norms
—complementarity and sharedness of expectations
—co-operation
—openness of communication channels

[b] Greater legitimacy in the organisation

There are a series of determinant conditions in the particular context of an organisation. Some of these determinant conditions are:

[a] Rapid changes and diversification in the various elements of external environment including higher rate of professional obsolescence.

[b] Highly educated and trained professionals with increased and varying aspirations are joining an organisation.

[c] Changing values at work place for increased democratisation being developed by taking cues from immediate environment instead of tradition and precedence.

[d] Changing nature of job requirements and more complex and sophisticated technology put increasing pressure on the utilisation of latest tools and techniques.

[e] Changing nature of supragoals will provide framework for the goal structure of an organisation.

[f] Social structure of an organisation will acquire greater significance and organic and adaptive structures have to be created to accomplish new tasks.

[g] An integration of individual and organisational goals will provide meaningful tasks to the members.

[h] Appropriate utilisation of finances and accurate audit of all assets will be necessary due to increasing financial constraints.

On the basis of our previous discussion of the conceptual framework, we propose a few hypotheses below. A qualification should be made that not all of these have been tested by our data. But we will raise some issues in the end regarding some of these untested hypotheses.

Hypotheses

(1) High profit records of an organisation do not necessarily indicate a healthy and effective system;

(2) At the managerial level, individual growth is an outcome of group processes;

(3) Individual growth is a function of an effective reward system and future career opportunities;

(4) Frustration and alienation are a function of the gap between aspiration of members and organisational inducements;

(5) Incongruency between authority-structure and centres of power leads on to ineffective decision-making; decisions are deferred, passed on to others and rarely made at appropriate level;

(6) Excessive managerial involvement in routine decisions indicates low productivity;

(7) Authority has to be decentralised near the periphery of the organisation (where emergencies are most likely to arise) to increase its flexibility;

(8) Integration of cultural, psychological, social and organisational levels facilitates communication; (integration here means a meaningful synthesis of numerous differences caused by such variables as personal needs, styles, social groups, etc);

(9) Increased training and developmental efforts will lead to individual growth of members of non-managerial group to broaden their knowledge and provide clearer understanding of organisational goals;

(10) Mutual trust and co-operation will facilitate the building of an image of fairness and rationality of the apex decision-making authority;

(11) The nature and level of technology determines the pattern of employment and personnel practices of the organisation.

We would like to emphasise that our discussion on above hypotheses will evolve around the comparison between two units of Delta Machines. We will try to examine the validity of the above mentioned hypotheses in the light of a comparative analysis between Delta-I and Delta-II units located in the South. In the end, we will make some further hypotheses which could be tested by future research.

Methodology

The questionnaire survey was chosen as the diagnostic instrument to collect data. Though the survey method has certain limitations in terms of the accuracy and authenticity of information obtained, it is still a handy tool. An exhaustive questionnaire was prepared on the following dimensions:

(1) Individual Growth
(2) Group Processes
(3) State of Technology
(4) Organisational Variables, such as productivity, adaptability, etc.

While three parts of the comprehensive questionnaire were common to the different hierarchical levels in the organisation, the part on group processes was given to the members at and above the level of Foreman/Junior Engineer. It was felt that organisation members at lower levels in the hierarchy (supervisors, charge hands and workers) are not generally involved in problem-solving and decision-making groups in the organisation and hence, it will be necessary to attempt to seek data from them on group processes at this stage of the study.

The preparation of questionnaire involved two major considerations:

[a] The appropriateness of questions in relation to the level of members expected to respond to the instrument.

[b] The overall suitability of the instrument to objectively and clearly provide relevant data on the nature and state of the organisation.

On the basis of available data on the formal organisational structure and procedures, it was decided that the design of one single instrument for all the organisational members will not be adequate and effective in eliciting desired information accurately. While no distinction was made between technical and non-technical groups, a distinction was made between managerial and non-managerial groups.

The questionnaire was administered in Delta-I and Delta-II units. It was decided to administer the questionnaire only to one and similar division in each unit so as to provide data for comparison between similar divisions. Production division was chosen in both units. While it was almost 100 per cent sample at the level of Deputy Managers/Managers because of non-availability, block random sampling was done at lower levels by providing representation on the basis of parts, trades and shifts. The break-up of the organisation members included in the survey at the two units is as follows:

Delta-I

Production Division	
Deputy Managers/Managers	10
Foremen/Junior Engineers	10
Supervisors	10
Charge hands 'A'	5
Charge hands 'B'	5
Workers	15
Total	55

Delta-II

Production Division	
Deputy Managers/Managers	5
Foremen/Junior Engineers	10
Supervisors	10
Group Leaders	15
Workers	10
Total	50

Analysis

We are presenting our data and related analysis here. In a further section, we will discuss the validity of our hypotheses based on this analysis. We discuss the data on group processes first as an independent variable for organisational effectiveness.

A *Group Processes*

The responses of the members of the managerial group from the two units are shown in Table 1. Each index in the Table has been calculated on the basis of a series of questions bringing out the essential elements of that dimension. The group from Delta-I seems to be showing a better understanding of the process of problem-solving and decision-making. A further insight can be obtained by the scores of the two groups on the eight dimensions of group maturity:

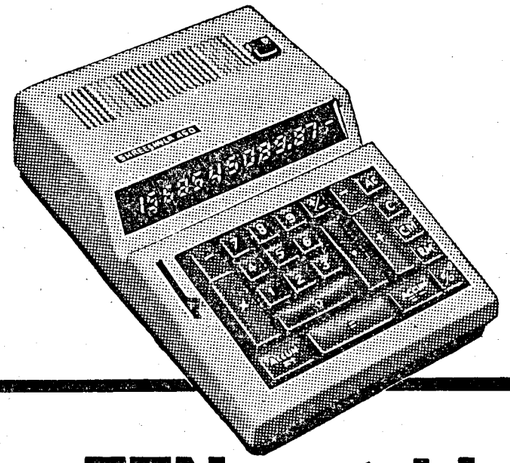
		Delta-I	Delta-II
(1)	Goals	5.8	5.1
(2)	Participation	5.7	5.6
(3)	Feelings	4.8	4.3
(4)	Diagnosis of group problems	6.1	5.8
(5)	Leadership	4.9	4.5
(6)	Decisions	6.2	5.0
(7)	Trust	4.8	4.8
(8)	Creativity and growth	4.5	3.6

All scores are on a 10 point scale with mean at 5.0

Table 1: Mean Scores on Group Processes

Index	Production* Division Delta-I	Production† Division Delta-II
Problem solving index	2.89	2.49
Decision-making index	2.98	2.51
Communication index	2.92	2.64
Leadership index	2.16	1.97
Inter-group behaviour index	2.56	2.15
Overall index	2.70	2.35

* Sample size = 20
† Sample size = 15
All scores are on a 4 point scale with mean at 2.5



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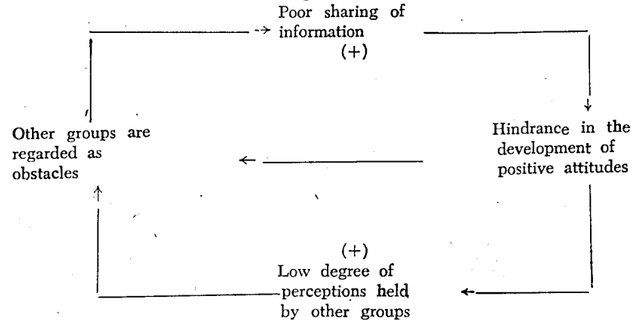
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Figure A
Poor sharing of information
(+)



We can make some of the following inferences on the basis of these data:

(1) Low scores for encouragement to new ideas were probably linked to the highly concentrated and task-oriented leadership and low level of trust between groups and individuals.

(2) Low scores on the dimensions of constructive exploration of conflicts and high scores on communication index seem related to the lack of opportunity for taking up leadership roles and a mutually supportive behaviour of the individual members.

(3) Highly technical nature of these groups tends to over-shadow the relevance of group emotion and the psychological needs of affiliation, power and security of the members.

(4) Low scores on cordiality, frankness and sincerity of communication may not reflect lack of mutual trust but seems to be related to centralised leadership and excessive emphasis on formal authority.

(5) Limitation of authentic communication is related to nature of technology. The technology and task-requirements in Delta-II are such that temporary teams and groups are not needed. There is a greater degree of permanence in roles and authority structures in Delta-II. Decision-making process in this unit is very nearly programmed.

(6) In spite of high scores on communication index, member-satisfaction is low. This could probably be due to lack of generation of valid information and ineffective utilisation of available data. Argyris[10] (1971) confirms that member-satisfaction by helpful and usful exchange of information increases if feelings of essentiality, self-acceptance and internal commitment in the group are high.

(7) High emphasis on formal authority in the two units may prove to be helpful in achieving legitimacy in the sanctions and decision-making processes in the organisation, but it is inhibiting members from readily accepting and performing leadership roles.

(8) Leadership is totally based on formal authority and is rigid in Delta-II. This indicates the close relationship between nature of technology and leadership styles. Mott[11] has shown that few leadership skills are needed in a highly structured task situation as in Delta-II.

(9) Dominant differences exist between the two units on the intergroup behaviour index scores. Few members of Unit-II have indicated any understanding of group processes and there appears to be a lot of inter-group conflict in the unit. The scores on sharing of accurate information are very low for Unit-II which results in negative attitudes for other groups. The dynamics of this process is shown in Figure A.

Both these loops are positive feedback loops and tend to reinforce each other. When the trust level between groups goes down and there is a disagreement between groups, the style becomes win-lose power struggle or indifference and smoothing over depending upon the stakes in the situation — from low (passive attitude) to high (active orientation).[12]

(10) While members of Delta-I are performing only instrumental roles in groups, Delta-II members have only developed truncated roles. Members of Unit-II are completely incapable of expressing feelings or handling emotions. Members have failed to comprehend the necessity of dealing with feelings in a highly technical task environment.

(11) Examples of behavioural and primordial roles are plenty in Unit-II. This explains poor scores on growth dimension. The difficulty of members in entering executive roles may be due to fewer conceptual inputs to Unit-II members as shown in Table 2.

TABLE 2: NUMBER OF MEMBERS WHO HAVE BEEN GIVEN OD INPUTS

	Delta-I	Delta-II
Managerial	50	12

TABLE 3: MEAN SCORES* ON TECHNOLOGY DIMENSIONS

Dimensions	Production Divn I			Production Divn II		
	Overall	Managerial Group†	Non-Managerial Group	Overall	MG**	NMG
Possession of requisite technical knowledge	3.22	3.37	3.11	3.09	3.15	3.00
Utilisation of technical knowledge	3.37	3.37	3.37	3.37	3.66	3.30
Organisational effort to impart technical knowledge	3.06	3.25	2.56	2.59	3.00	2.60
Efficiency of equipment	3.10	3.00	3.31	3.11	3.03	3.14
Adequacy of financial resources	2.52	2.56	2.07	3.00	2.57	3.06
Utilisation of available financial resources	2.82	3.00	2.50	2.51	2.72	2.50
Attitude towards planning	2.90	3.25	2.81	2.82	2.72	2.86
Overall index	3.03	3.11	2.96	2.94	2.97	2.93

* Total sample size in each unit is 50
† Sample size = 20
** Sample size = 15
All scores are on a four point scale with average at 2.5

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TABLE 4: MEAN SCORES* ON INDIVIDUAL GROWTH DIMENSIONS

Dimensions	Production Division Unit-I			Production Division Unit-II		
	Overall	MG†	NMG	Overall	MG**	NMG
Clarity of job requirements	3.64	3.69	3.60	3.19	3.31	3.14
Willingness to take more responsibility	3.87	3.62	4.00	3.70	3.61	3.65
Desire to acquire and use new knowledge and training	3.40	3.33	3.46	3.41	3.36	3.51
Awareness and understanding of other functional areas	2.74	2.93	2.42	2.76	3.06	2.63
Desire to acquire overall organisational perspective	3.74	3.90	3.64	3.79	3.61	3.70
Perceived career opportunities	1.21	1.36	1.13	0.89	1.04	0.76
Overall index	3.11	3.14	3.04	2.96	3.03	2.93

* Total sample size in each unit is 50
† Sample size = 20
** Sample size = 15
All scores are on a four point scale with average at 2.5

B *Technology*

The mean scores on various technology dimensions are shown in Table 3. On the basis of this data, we can make certain inferences:

(1) Possession and utilisation of technical knowledge is substantially high for both units, with Unit-I scores being relatively higher.

(2) Members from watch factory feel that their organisation has not made any substantial effort to impart knowledge of latest tools and techniques. This need is more deeply felt at the non-managerial levels of the two units.

(3) High efficiency of equipment indicates a high level of sophistication in both the units.

(4) Both units rated poorly on the dimensions of adequacy and utilisation of financial resources.

(5) Lower ratings of non-managerial groups on these two dimensions reflected their lack of information. The organisation seems to have kept them blissfully ignorant.

(6) At the level of professionalisation at Delta Ltd, the scores on the dimension of 'Attitude towards planning' seem to be low. Planning activities are not seen to be linked with better performance.

(C) *Industrial Growth*

The data on the dimensions of this variable are shown in Table 4.

Some inferences can be drawn on the basis of these data:

(1) Clarity of job requirements is rated higher by members of Unit-I.

(2) Overwhelmingly large number of members are willing to accept higher responsibility and are keen to acquire new knowledge.

(3) Perceived career opportunities are rated relatively higher by members of managerial group. But on absolute level these low scores seem to have threatened individual growth and resulted in inefficient performance and and high degree of frustration. Such low scores can be attributed to :

(a) Reward system not linked with performance on the job. 40 per cent members declared good contacts as the basis for promotion.

(b) Sub-optimum utilisation of award system.

(c) Overstaffing of personnel.

(4) Managerial groups' lower scores in relation to non-managerial groups for willingness to take up responsibility could well be due to frustrating past experiences.

(5) Lower scores from both the managerial groups in relation to corresponding non-managerial groups on the dimension of desire to acquire new knowledge could be assigned to :

(a) Already possessed of high level of knowledge.

(b) Sub-optimum utilisations of already possessed knowledge.

ORGANISATIONAL EFFECTIVENESS VARIABLES

The scores on the different dimension of organisational effectiveness are shown in Table 5. On the basis of these data, we can make the following inferences :

(1) There is an emphasis on quality and high standards throughout the organisation.

(2) Efficiency is sacrified for prompt completion of schedules and targets.

(3) Lower levels of co-ordination are leading to lower efficiency in both the units, the state being poor in Unit-II.

(4) While symbolic[13] adaptability is higher in both the units, members find it difficult in 'keeping upto date'. Behavioural adaptability is low due to excessive emphasis on accountability and rationality.

(5) Lower scores of managerial groups from the two units on the adaptability index indicate poor co-ordination and lower inter-personal competence.

(6) Maladaptive[14] behaviour by members of the managerial group of Unit-II leads to substantiate our previous data that inter-group communication is poor and there exist mutual antagonisms between the managerial groups based on distorted perceptions of each other.

(7) Poor integration of the cultural and social-psychological needs of the organisation members and the organisational goals are leading to a langour-prone[15] system in Unit-II.

(8) While managerial groups are expected to possess a greater degree of flexibility, surprisingly opposite result is shown by Unit-II. Inadequate formal co-ordination and centralised decision-making structure may be the possible reasons for this.

(9) Vast majority of respondents from both units regarded their divisions as having fairly centralised decision-making structures.

(10) Appreciable number of members from both units disagreed with the present decision-making structure and wanted greater decentralisation.

(11) Managerial group of Unit-II felt more frustrated by and less involved in the decision-making process compared to non-managerial group.

(12) Utilisation of expertise in decision-making was rated higher by the managerial groups of both the units.

(13) Feeling of inappropriateness of level at which decisions are made is expressed more from Unit-II. There appears to be an incongruence between decentralised authority and centralised power structure.

(14) The legitimacy of centralised structures is governed by the social and cultural values of the organisation members. The respondents did not

TABLE 5: SCORES ON THE DIMENSIONS OF ORGANISATIONAL EFFECTIVENESS

Dimensions	Production Division Unit-I			Production Division Unit-II		
	Overall	MG*	NMG	Overall	MG†	NMG
Productivity index (quality, quantity and efficiency)	3.34	3.21	3.41	3.14	2.92	3.23
Adaptability index (anticipation of problems, promptness and prevalence of adjustment)	3.26	3.36	3.19	3.15	2.92	3.19
Flexibility index	3.48	3.81	3.26	3.41	3.25	3.48
Decision-making index (involvement, use of expertise, encouragement to team work, appropriateness of level, influence of members on decisions)	3.35	3.77	3.14	3.53	3.69	3.43
Co-ordination index (ease in working together and in exchange of helpful information, well-planned work assignments)	3.27	3.27	3.27	3.15	3.11	3.18
Trust index (opportunity to learn by doing, freedom to set own pace, sincerity in dealings, sharing personal aspirations)	3.15	3.72	3.39	3.17	3.15	3.18
Horizontal communication index (ease in initiating and exchanging information, use of peer-expertise, informing mistakes of peers)	3.64	3.82	3.37	3.39	3.34	3.42
Unit-HQ relationship index (understanding of units' needs, fairness, reasonableness, autonomy, to units)	3.32	3.54	3.10	2.82	2.84	3.14
Member-satisfaction index (opportunities to use knowledge and skills)	4.15	4.23	3.90	2.90	2.93	2.88
Structure index (suitability of control mechanisms)	3.10	3.75	2.87	2.51	2.50	2.51
Adequacy of exchange with external environment	2.50	1.99	2.80	2.50	1.86	2.97
Superior-subordinate relationship index (interest in helping, informing, encouraging, listening to the new ideas of and awareness of the needs of the subordinates, planning with and sincerity in dealing with the subordinates)	3.63	3.78	3.57	3.00	3.18	2.91
Overall effectiveness index	3.39	3.52	3.28	3.02	2.97	3.12

* Sample size = 20
† Sample size = 15
All scores are on a five point scale with an average at 3.00

show any great preference for complete decentralisation that Likert's[16] studies could have led us to expect.

(15) Members of managerial groups from both units have indicated lower scores on the index of co-ordination compared to corresponding non-managerial groups. This leads one to expect considerable amount of interpersonal tension and friction at the higher levels of the organisation.

(16) Low scores of Unit-II managerial group members on some of the dimensions of Trust index relates to the lower level of co-ordination.

(17) A culture of competition has generated inter-personal conflict leading to lower levels of co-ordination and trust. Poor career opportunities and lack of career plan for the members is reinforcing this competitive culture.

(18) In the absence of shared expectations, members are operating in a highly ambiguous and uncertain situation which creates a sense of frustration due to excessive suspicion and anxiety.

(19) Inadequacy of communication among peers and insufficient exchange of information are forcing a lower level of trust in the organisation.

(20) Members of the two units seem to feel that mistakes are handled rather punitively which deprives them from learning.

(21) Lower scores by members of managerial group of Unit-II compared to corresponding non-managerial group on the index of horizontal communication confirms our previous inference about lower levels of trust in this group.

(22) Scores of Unit-I are consistently higher on the index of horizontal communication compared to Unit-II.

(23) Members of the two units have experienced difficulty in accurately informing the mistakes of their peers.

(24) Unit-I appears to have better understanding of and relationship with Head Quarter compared to Unit-II.

(25) Extremely low scores on understanding and positive relationship with Head Quarter in Unit-II could be due to:

"Units can develop resentment towards Head Quarter for many reasons. For example, such unit is treated as a profit centre. However, the profitability of the whole organisation may sometimes require that a given unit do something which reduces its own profitability."[17]

The case in point is only opposite to this but very relevant. We have discussed this point later on.

(26) While managerial group of Unit-I has rated higher compared to its non-managerial group on the index of unit-HQ Relationship, opposite trend is visible in Unit-II.

(27) Typically, the overall relationship can be described as acquiring a gradual shift in the directions indicated. (see Figure B).

(28) Member satisfaction was rated much higher in Unit-I than in Unit-II. The low score in Unit-II is largely due to the extremely routine and mechanised nature of work in Unit-II conditioned by the nature of its product and its technology.

(29) Members of the two non-managerial groups feel more dissatisfied in the two units.

(30) Control mechanisms of Unit-II are causing hindrance to effective work-performance.

(31) Wide discrepancy between the responses of two groups from Unit-I indicates ineffective implementation of these control mechanisms at the lower levels.

(32) Scores from the two units indicate ineffective exchanges with the different elements of external environments.

(33) In spite of good external image of the total organisation, exchanges across the boundary are ineffective.

(34) Responses from Unit-I on the index of Superior-Subordinate Relationship are high and indicate greater co-operation, help and recognition characterising this relationship.

(35) Superior-Subordinate Relationship in Unit-II is marked by distrust, poor encouragement and recognition and lack of help and communication.

(36) Communication seems to be the basic inhibiting factor leading to distrust and circumscribed behaviour in Unit-II.

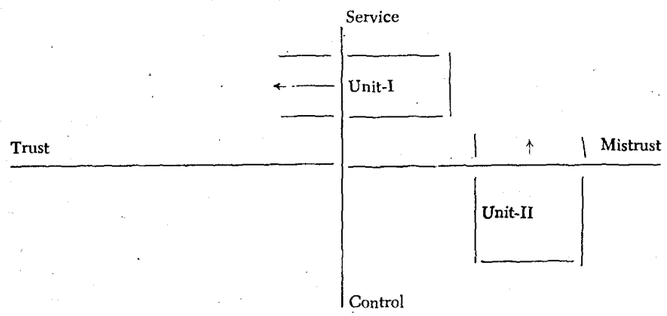
(37) Confused and disorderly relationship in Unit-II appears to be hinder-

TABLE 6: MEAN SCORES ON DIMENSIONS OF ORGANISATION CLIMATE

Dimension	Unit-I		Unit-II	
	Actual	Desired	Actual	Desired
Non-conformity	3.7	6.9	4.8	5.8
Responsibility	5.3	8.4	4.2	8.1
Standards	6.2	7.8	4.7	8.0
Rewards	4.1	8.8	3.4	8.0
Organisational clarity	4.5	8.8	4.9	7.8
Warmth and support	4.6	8.9	4.9	8.4
Leadership	4.4	8.9	3.9	8.0
Conflict resolution	4.8	8.3	4.8	7.7
Overall mean	4.7	8.3	4.3	8.0

Total sample size is 50 in each unit. All scores are on a 10 point scale with an average at five.

FIGURE B



ing the efforts of increased production and member-satisfaction from their work-place.

ORGANISATION CLIMATE

Table 6 indicates the scores of the two units on the eight dimensions of organisation climate:

(1) Wide gaps in actual and desired states of Unit-I are indicated on the dimensions of rewards, organisational clarity, warmth and support, leadership and conflict resolution.

(2) Wide gaps in actual and desired states of Unit-II are indicated on the dimensions of responsibility, standard, rewards and leadership.

(3) Mean actual and mean desired scores are lower for Unit-II compared to Unit-I.

(4) High scores on conformity in Unit-I indicate excessive emphasis on rules, procedures and policies which are hindering the creativity and circumscribing the freedom of its members.

(5) There appears to be a great emphasis on high standards in Unit-I.

(6) Rather low scores are indicated for the desired state of the units on the dimension of conformity.

DISCUSSION

Previous analysis leads to the validity of some of our hypotheses. We shall now go through these hypotheses in the light of our analysis.

Unit-II is a monopoly organisation in the country. Its products are highly popular mass consumption items. It has been consistently making profits because of this monopolistic nature of its products. Unit-I is engaged in the product line which faces high competition and the nature of technology is such that its profitability is low. During the past few years, Unit-I has not been making any profit. However, the overall mean scores on different organisational effectiveness indices indicate that Unit-I is a more effective system in comparison to Unit-II. This gives support to our first hypothesis.

On performing a regression analysis, the equations for the managerial groups of Units-I and II are equations (1) and (2) respectively:

$$Y = -6.39 + 5.03x_1 - 2.71x_2 + 1.23x_3 \quad (1)$$

$$Y = -1.89 + 0.84x_1 + 0.60x_2 + 0.13x_3 \quad (2)$$

where Y = organisational effectiveness
x_1 = group processes
x_2 = technology
x_3 = individual growth

Similar equations for non-managerial groups of Units-I and II are (3) and (4) respectively:

$$Y = -0.19 + 0.34 \times 2 + 0.48 \times 3 \quad (3)$$

$$Y = -1.62 + 0.57 \times 2 + 0.03 \times 3 \quad (4)$$

This indicates that in the managerial groups, the major contribution to organisational effectiveness is made by group process. Relatively, the co-efficients of individual growth are much lower in the presence of group processes. At non-managerial levels, the incidence of individual growth acquires greater significance. Moreover, in our previous discussion of Group Processes, we noted the inability of members to experience a supportive relationship, mutual recognition and encouragement to take up more complex leadership roles. Few members of the managerial group were able to perform executive roles due to poor comprehension of group processes. The effect was more in Unit-II where level of conceptual inputs in group processes was also low and most members of its managerial group were confined to primordial roles. This lends sufficient support to our second hypothesis.

The reward system of the two units has been indicated to be ineffective and inefficient. Comparatively, the scores were lower for Unit-II on the reward dimensions. Scores for perceived career opportunities were extremely low on an absolute basis, and comparatively Unit-II scores were lower than in Unit-I. The extent of individual growth has already been established to be lower in Unit-II in comparison with Unit-I. This lends support to our third hypothesis.

Members of Unit-II are relatively more frustrated, indifferent and alienated. Low scores on the dimensions of decision-making, willingness to take up more responsibility and poor involvement in problem solving and decision-making substantiates our above contention. Members of Unit-II have also shown a wider gap between actual and desired states of their unit on the dimensions of responsibility, reward and standards. Organisational inducement in the form of interpersonal recognition, collaborative peer relationship, supportive superior-subordinate relationship etcetra are almost non-existent in Unit-II. This shows that on the one hand members of Unit-II are finding greater gaps between their aspirations and organisational inducements and on the other hand they are experiencing greater frustration and alienation, thus validating the fourth hypothesis.

As we have discussed earlier, there appears to be a highly centralised decision-making structure in the two units. At higher levels, the authority is more decentralised in the two units but more decisions are deferred or passed on to next higher levels or not taken in Unit-II as compared to Unit-I. Members of Unit-I find it easier to accept and take decisions in comparison to members of Unit-II. This indicates that power of decision-making is more centralised

in Unit-I, and there appears to be a mismatch between decentralised authority and centralised power structures in Unit-II. Moreover, managerial involvement in routine matter has been indicated to be higher in Unit-II and the executive functions of gate-keeping and interface control are concentrated in a few key individuals in this unit. Unit-II has also indicated lower productivity in comparison to Unit-I on all the three dimensions of quantity, quality and efficiency. This validates our fifth and sixth hypotheses.

Our data show that the two units are rated slightly above-average on the dimension of flexibility. This may indicate the increasing need for making the organisation more flexible. Since we did not make any detailed analysis of authority structure, specially near the periphery, we cannot prove the seventh hypothesis. However, it is appropriate to mention that our data do indicate a centralised authority structure (in general) and rigid leadership styles, more so in Unit-II.

While scores on communication indices are not very encouraging from either unit, we cannot establish eight hypothesis in the absence of any data about the cultural and social-psychological environment of the organisation. However, we do feel that the poor integration between different groups of the two units (as shown by the data and analysis) is largely due to the fact that normative environment of the organisation fails to encompass the various cultural and social-psychological values of its members.

Members of the non-managerial group of Unit-II have shown lower scores for the organisational effort in imparting knowledge and training to them. Moreover, they have expressed greater desire (compared to their managerial group) to acquire new knowledge, training and skills and an overall organisational perspective. Similar trend is exhibited in Unit-I though the scores are relatively higher. Higher scores on individual growth dimensions by non-managerial group of Unit-I corresponds to their higher scores on the index of organisational effort to impart training and knowledge to them. This validates our ninth hypothesis.

Our data do not produce very conclusive evidence of the tenth hypothesis. However, we feel that higher scores by the members of Unit-I (as compared to Unit-II) on the dimension of Unit-HQ Relationship index are reflective of a relationship characterised by somewhat more mutual trust, understanding and co-operation. It will not be inappropriate to remind here that the HQ image of fairness and reasonableness is not shared by the members of Unit-II. The members of Unit-II (which is earning high profits) do not approve of the sharing of their "hard-earned" profits by Unit-I. This lends some support to our hypothesis.

In support of our eleventh hypothesis, we are not able to present any more data. However, the nature of technology at Unit-II is such that majority of tasks are repetitive and routine skills that are required are simple in nature. The employment pattern shows a high percentage of women engaged in such tasks. The average stay of these women workers in the unit is between 3 and 4 years. And they take up this simple job mainly as a stop-gap arrangement between their schooling and marriage. Moreover, they are able to save some money through employment. These women employees are not very much interested in a long-term career plan. This feature has led the top management to adopt *ad hoc* personnel policies without any clear-cut career-plan and promotion policy. This has led to frustration in male employees of the unit. The approach is different in Unit-I where the level of technology is sophisticated and complex skills are required. The employment pattern is correspondingly different (overwhelming majority of male workers) and so are the personnel policies (of course, within the broad framework of the total organisational policies). This lends substantial support to our eleventh hypothesis.

Conclusion

We are now in a position to make a few concluding remarks. The study suffers from a few limitations. One of them is a small sample size restricted by time constraints. Another significant limitation is the static nature of the data. More meaningful analysis can be made by obtaining responses over a period of time to give insight into trends and processes of change.

We have tried to support a few hypothesis by a comparative analysis. We feel that more rigorous analysis can be done for each index, variable and hypothesis. However, under the limited scope of this study, this was not feasible. We feel that further research will provide greater insight and may even modify the hypotheses.

We will end by proposing a few hypothesis which could provide framework for future research:

(1) Overemphasis on accountability in organisations increases the rigidity of the structure leading to lower levels of organisational effectiveness.

(2) Over-conformity in an organisation acts as a hindrance to creativity and innovativeness.

(3) Aspirations and socio-cultural values of members determine the extent of conformity functional for organisational growth.

(4) In a technology based organisation continuous striving for latest tools and techniques can create a technologically normative environment rewarding competence and effective utilisation of knowledge.

(5) Clarity in the normative environment of the organisation leads to greater productivity and fewer conflicts.

(6) Awareness of self and others leads to increased interpersonal competence.

(7) Continuous rethinking on the goal-structure of the organisation can lead to greater effectiveness by incorporating changing aspirations of its members and the external environment.

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Administrative Remoteness in Branch Banking

Tushar K Das

The problem of administrative remoteness in a bank with a large number of branches is not merely one of communication difficulties stemming from geographical distance. The existence of a large and growing body of relatively inexperienced managers adds a crucial dimension to this problem. Various organisational strategies have been adopted by banks to attain the desired degree of effectiveness in administering their branches.

This article briefly touches upon some of the traditional approaches, such as dispersed controlling offices established in the heart of particular areas, the concept of link branches, and the system of personal visits of headquarters officials to branches. It then discusses in some detail the institution of the Area Superintendent which has been designed by the State Bank of India with the object of providing the controlling authority with yet another instrument of administration.

Each bank has naturally to judge for itself whether this new organisational position, or rather this new approach to reducing administrative remoteness, is relevant to its own peculiar needs. As there are rarely any standard solutions in organisational matters, a bank has necessarily to work out a strategy appropriate to its requirement.

ONE of the characteristics of commercial banks in this country, as in many other countries, is that their branches are dispersed over a wide geographical area. This problem is further accentuated by the continuing policy of ambitious branch expansion (especially after the nationalisation of the 14 largest banks in 1969) with the emphasis on opening offices in hitherto unbanked centres in rural and semi-urban areas. This national policy will remain unaltered for some time to come, and quite rightly so, till we have a reasonably satisfactory network of branches for making basic banking facilities available to all sections of the population, including in the rural areas.

It is in this context that we have to consider one of the crucial problems facing bank managements today — that of efficiently administering branches which are remote from the headquarters. One of the problems of administration of branches which are at a distance, are small in size and are numerous, has been that of inadequacy of communication facilities. Another aspect of administering a large number of outlying branches has to do with the fact that, having regard to the rapid expansion programmes which have been planned, managements have to contend with a large complement of relatively junior and inexperienced branch managers. And since this condition is going to remain with us in the foreseeable future — training facilities being grossly inadequate even today — more and more such junior officers will man the ever-growing number of bank branches. This means that much more than ordinary effort has to be put in by the controlling offices of banks (head offices, regional offices, etc).

Bank managements have been exercised over this problem of administrative remoteness and have devised various strategies to tackle it. We shall, in this paper, briefly touch upon some of the traditional methods of solving the problem and see how they do not quite lead to the degree of administrative effectiveness we desire, either singly or in combination. We shall then go on to a somewhat detailed discussion of a novel organisational position designed and developed by a particular commercial bank to overcome the problem of administrative remoteness.

Dispersed Controlling Offices:

One of the conventional strategies adopted to reduce administrative remoteness is to establish a controlling office for a cluster of branches situated in a compact geographical area and to have this controlling office right in the heart of that area. This affords the controlling office easy access to the branches under its jurisdiction and frequent contact can be maintained with each of the Branch Managers. The quality of administration naturally improves on account of this proximity.

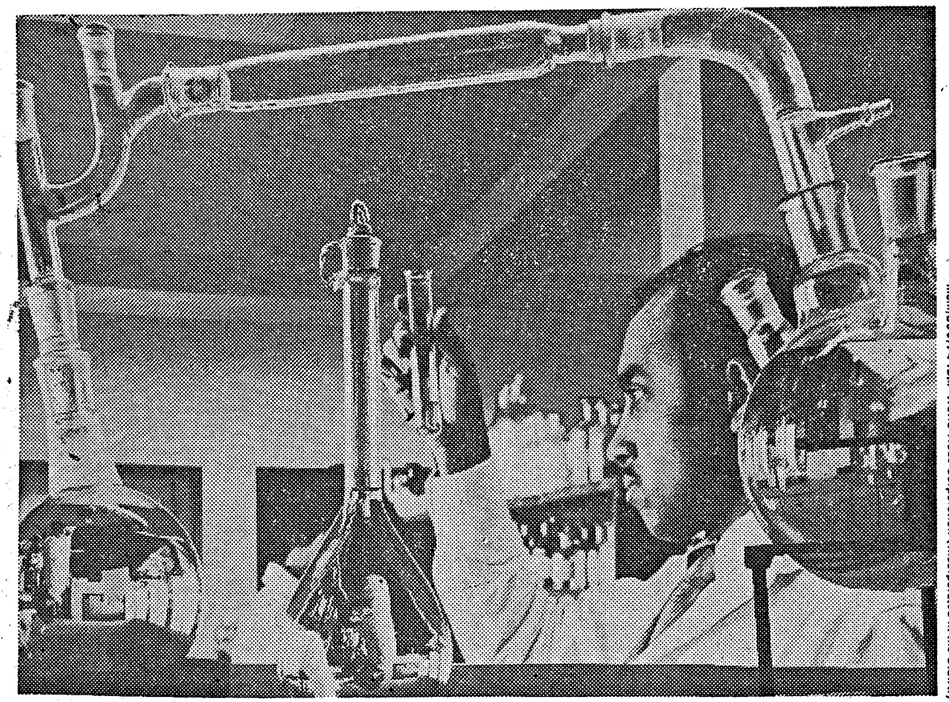
However, having a controlling office for every group of branches situated close to it automatically means that there would be quite a few such controlling offices. The major constraint here is the cost of running these offices. Their number may be large in case the bank has a few hundred branches. The result is a long hierarchy of offices, increasing the distance of each lower office from the central or apex office. There thus arises the fresh problem of co-ordinating and administering these controlling offices spread over a very wide geographical area. From the point of view of effective management this problem of co-ordinating and integrating the activities of a large number of controlling offices is, in many respects, no less onerous than the original problem of administering outlying branches.

Another drawback of this system is that these controlling offices, situated as they are far from the head office (or central office), would not be in a position to contribute significantly to the policy-making function of the bank's management. The head office of the bank, in turn, would not be able to communicate satisfactorily its thinking on various matters to the numerous zonal or regional controlling offices. Uniformity in the interpretation of instructions would, again, be difficult to ensure with too many controlling offices. In other words, by having this arrangement of dispersing the administrative function of the head office from headquarters to a number of far-flung controlling offices, the bank loses some of its capability for high-power administration.

Link Branches and Personal Visits

There is also the concept of the link branch in which a particular branch not only functions as an independent branch but has also to supervise, as a sort of group-in-charge, some aspects (e g, development of business, especially loans) of the work of surrounding branches (which are treated as sub-branches for this purpose). This arrangement is intended to reduce pressure at the controlling office and expedite the disposal of certain types of operational matters. However, the link branch is ordinarily unable to attend to personnel problems and other administrative matters; these continue to be looked after by the controlling office.

It has also been the traditional practice of commercial banks to send



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officers from the controlling offices to visit branches to personally investigate problems. These personal visits have usually furnished the controlling authorities with a feel of the local situation and the visiting official uses the opportunity to discuss problems with the branch manager and other concerned persons. The information gathered from discussions with the branch manager and the analysis and solutions suggested by the latter have their utility to the controlling office for taking decisions or chalking out strategies or amending existing policies. These visits are undertaken as and when a problem arose, or an investigation is called for, or a feel of the local situation is required. However, there is usually no co-ordinated approach to sizing up and solving the problems faced by branch managers. In recent years because of the growing number of problems and their increasing complexity, coupled with the general inexperience of the cadre of officers, this system of unorganised, unplanned, almost informal visits has become ineffective in relation to the information needs of the controlling offices.

It is necessary, therefore, to think of other means of solving this problem. It is also becoming increasingly necessary to have more frequent glimpses of branch affairs because of the fast-changing nature of the business environment. Also, regular contact with the branch manager by a person from the controlling office is becoming imperative on account of the relative inexperience of the branch managers in the smaller outlying branches. It is no longer sufficient, as it perhaps was previously, for officials to visit branches when they felt like it or when an emergency arose. It is necessary today to have continuous knowledge of the state of affairs at a branch so that emerging problems can be spotted early enough and preventive measures initiated.

In view of the above considerations, the State Bank of India, which was facing an acute problem of maintaining administrative control over the rapidly increasing number of branches at great geographical distances, decided to adopt a somewhat novel method of tackling the problem.

The Area Superintendent

The problem of administering the growing number of outlying branches had been exercising the minds of the top management of the State Bank of India for the past few years. In an attempt to solve the problem, the management decided to introduce a new position in the Bank's organisational structure (which was, incidentally, thoroughly overhauled during 1971-72).[1] This new position or official is called the Area Superintendent.

The State Bank has a Central Office at Bombay at the apex and nine Local Head Offices at various state capitals, which have jurisdiction over specified parts of the country. These Local Head Offices are thus each the headquarters or controlling offices for specific areas of the country known as Circles. A Circle generally has a full state or more than one state/union territory under its control. A Circle is divided into two or more Regions. Each Region covers a number of contiguous revenue districts, and has around 75 branches in it. A Region is, in turn, subdivided into two or three Areas, with a total of around 25 branches in each Area. The branches are under the direct control of the Regional Manager.

The Area Superintendent does not figure in the chain of command between the Regional Manager and the Branch Managers. He is basically a member of the Regional Manager's Department (which is a part of the Local Head Office) and is a resource to the Regional Manager, who has total operating responsibility for the branches in his Region. The Branch Manager is of course fully responsible for the performance of his branch. The Area Superintendent is thus a special kind of resource to the Regional Manager to be employed in the manner we shall describe presently.

The Area Superintendent is immediately responsible to the Regional Manager under whom he works. The position of the Area Superintendent has been created in order that (a) frequent personal contact can be maintained by the Local Head Office (the Regional Manager) with the Branch Managers, and (b) to help and counsel the Branch Managers in improving the quality of their managerial decisions. The Area Superintendent should thus be able to assist the Branch Managers in gaining a thorough understanding of the Bank's policies and strategies, in developing their ability to interpret and employ operational and environmental data for managerial ends, in improving their capabilities in decision-making, and in acquiring appropriate skills in the supervision of their staff. The Area Superintendent thus has the following duties and responsibilities: scheduling his visits to branches according to their needs; explaining the Bank's policies and procedures to the Branch Managers and providing guidance to facilitate their implementation; reviewing the work of Branch Managers with a view to helping them to improve the quality of their decisions; discussing specific issues relating to performance, as as indicated by the Regional Manager, and generally helping the Branch Managers to obtain such support from the Regional Manager's Department as might be required for achieving the objectives set out for them; satisfying himself generally that the Branch Managers understand and follow the systems and procedures prescribed by the Bank for the security of its business operations; keeping the Regional Manager informed of the operations of the branches assigned to him in order that the Regional Manager is reasonably familiar with various aspects of their operations; and furnishing the different specialist functionaries at headquarters with relevant information about the operations of branches in order to assist them in formulating effective business policies and administrative control mechanisms.

In sum, therefore, the Area Superintendent is basically a counsellor of Branch Managers. However, he is not a manager, in the sense that he has no subordinates (though he does have a boss, the Regional Manager), he has no authority (either financial or administrative), he cannot issue any instructions, and he has no occasion for managerial control.

It would be evident that to be successful, the Area Superintendent should have a strong background in operational banking, be skilled in interpersonal relations, and have rather low power needs. An attempt was therefore made by the Bank to select officials with the requisite professional experience and personal attributes.

The selection was made according to the following broad criteria:

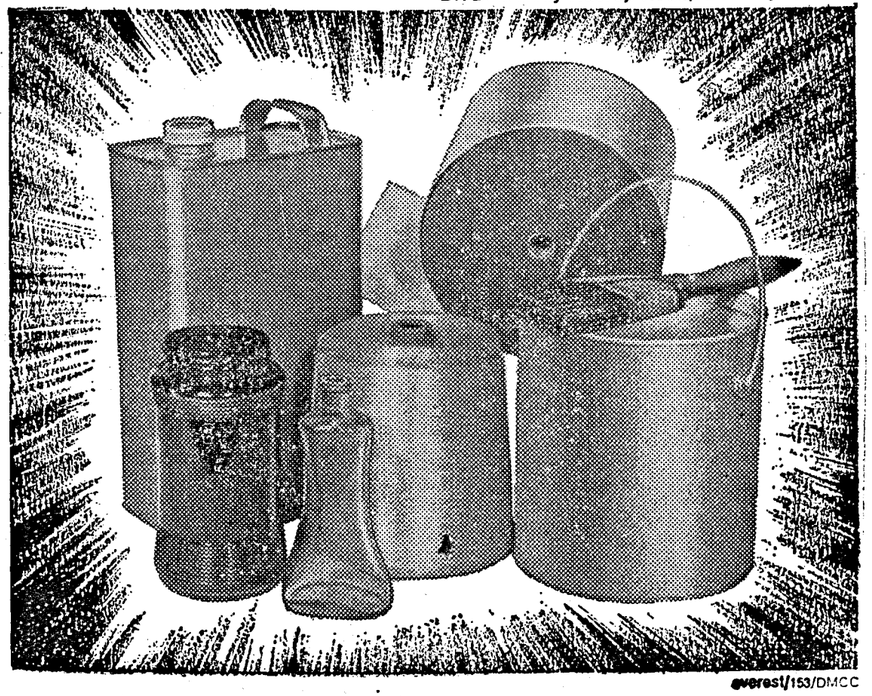
(i) Thorough knowledge of the Bank's policies and procedures.
(ii) Wide operational experience, particularly in the area of personnel, credit, and developmental activities.
(iii) Enthusiasm and aptitude for acquiring knowledge and transferring it to Branch Managers.
(iv) Ability to develop effective relationships with Regional Managers, functional and staff specialists, and Branch Managers.
(v) Minimum concern for power and authority as bases for efficient

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(vi) Willingness to travel widely and frequently.

(vii) Keen interest in human beings and their problems.

The kind of work required to be performed by the Area Superintendent had never been done in the Bank. It was considered necessary therefore that the Area Superintendents should be imparted skills necessary to do their job well. Accordingly, all Area Superintendents were covered by a special training programme. The programme had the following broad objectives:

(1) To help the participant develop an attitude of openness and flexibility: this was particularly important if he had to win the confidence of the Branch Managers as well as the Regional Managers.

(2) To make a realistic appraisal of his own need for power and authority.

(3) To expand his awareness of how he affected others and how the behaviour of others affected him.

(4) To develop his ability to foster meaningful inter-personal relations, so that the Branch Managers felt free to discuss their genuine problems with him instead of referring only to trivial matters

(5) To develop helping skills, so that he could provide help to the Branch Managers in a way which was meaningful and was not seen as merely critical.

(6) To develop communication skills necessary for clarifying the Bank's policies to the Branch Managers and providing information about branches to the Regional Managers as well as functional and staff specialists.

(7) To develop diagnostic skills for detecting the problems emerging at the branches, so that these are kept in mind in discussions with the Branch Managers.

(8) To develop empathy skills to understand the problems of others in the proper perspective and interact with the Branch Managers on the basis of equality rather than superiority.

Method of Working

An Area Superintendent has on an average 25 branches in his Area, and is required to visit each branch about once in six weeks. An Area Superintendent may be allotted around 15 branches in case his Area is situated far away from headquarters or when the transport facilities are not fast or efficient enough (hill-tracts, sparsely populated semi-desert territories) and even around 40 branches if the Area comprises branches situated in the immediate vicinity of the Local Head Office.

Before going out on tours the Area Superintendent is briefed in detail by the Regional Manager about important matters to which the former should pay specific attention at particular branches. The Regional Manager also explains to him how to proceed in regard to the more important matters. This detailed briefing is very necessary in order that the Area Superintendent is able to reflect the Regional Manager's mind while talking to Branch Managers; it helps the Area Superintendent to explain to the Branch Manager some of the rationale behind the decisions made by the Regional Manager. This briefing also provides the Area Superintendent with an opportunity to learn from the Regional Manager himself the current position about important matters pending in the Regional Manager's Department so that he can inform the Branch Manager concerned how these matters stand at headquarters.

After the tour schedule is chalked out and agreed upon by the Regional Manager, the dates and timings of visits to the different branches are advised to each of the Branch Managers so that the latter can make arrangements to be present at the time of the visit of the Area Superintendent. Also, the Branch Manager can be prepared with the problems he wishes to discuss with the Area Superintendent.

During his visit to every branch, the Area Superintendent calls into play all his skills in relating with persons, establishing rapport with the Branch Manager, guiding him to come forward with the problems at the branch (and their analyses, discussing the problems and other matters, and, finally, counselling the Branch Manager. However, as the Area Superintendent has ultimately to remember and report back to the Regional Manager the highlights of these discussions, and attend to specific matters, like following up proposals, eliciting particular information at the Local Head Office, conveying certain views and suggestions to particular officials at headquarters, etc, it is necessary for the Area Superintendent to maintain some sort of record or jottings to serve as an *aide memoire* for his activities on returning to headquarters. This applies also to points to be discussed with individual Branch Managers. In many instances, the Area Superintendent has found it convenient to maintain a diary specifically for noting down such matters.

On return from each tour the Area Superintendent reports to his Regional Manager in person about the major problem areas he has discussed or found at the branches and also his analyses and suggestions on all these matters. In these face-to-face discussions the Area Superintendent is able to project in a realistic manner the state of affairs at the branches so that the Regional Manager can form a pretty good idea about the branches which need his special attention and also the kind of guidance and resources that each branch requires. In certain cases where details are involved or where the subject is of substantial importance, the Area Superintendent prepares a short report in writing for permanent record as also to enable the Regional Manager to take necessary follow-up action.

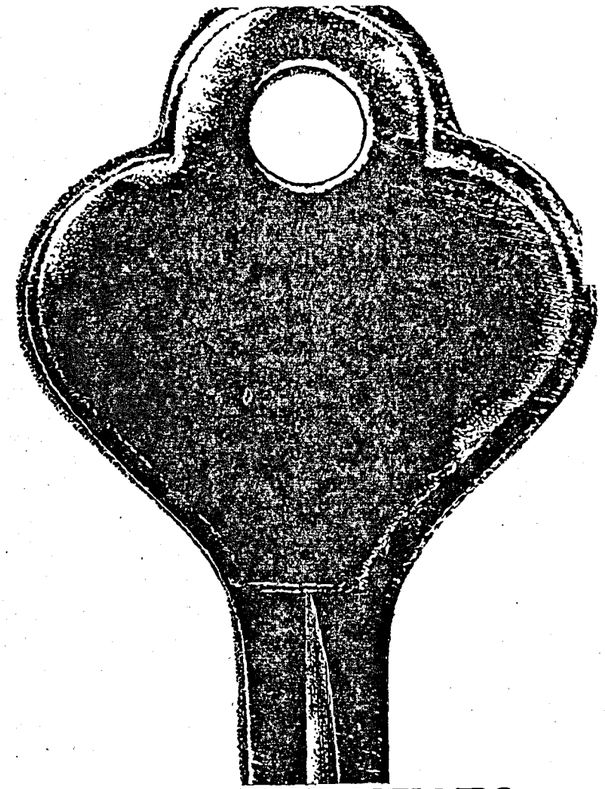
In regard to the question as to which branch called for how much attention on the part of the Area Superintendent, it was observed that there was wide divergence between different categories of branches. In a large number of cases, relating mostly to branches which were quite small in size, very little attention was needed in the sense that the visits of the Area Superintendent were not considered necessary at the usual frequency of about one visit every six weeks. On the other hand, for quite a few branches which were medium size, and also some smaller ones, it was deemed desirable to pay closer attention and arrange visits at frequent intervals; these were not as regularly spaced as in the case of the smallest branches but had to be planned and undertaken according to the changing needs and problems of these branches. At the other extreme were those branches which required very frequent visits and almost constant attention for a certain period because of the existence of numerous problems or an escalating situation.

There are many items of work which usually form part of the discussions between the Regional Manager and his Area Superintendent. While emerging problems no doubt form the major part of the discussions, we may cite here a few of the more frequently occurring areas of work, where consultations have usually been considered necessary between these two officials. These are:

(a) determining tour programmes;

(b) clarifying the decisions taken by the Regional Manager and the advice rendered by the Area Superintendent to Branch Managers;

(c) eliciting more information about matters pending in the Regional



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Manager's Department;

(d) bottlenecks in the working of the Regional Manager's Department which affect the branches;

(e) identifying recurring irregularities at branches which have been noticed from control returns and successive audit reports;

(f) determining remedial measures for irregularities reported in audit reports;

(g) problems in personnel management — personnel relations, staff requirements, transfers, etc;

(h) training needs;

(i) premises and furniture;

(j) customer service; and

(k) problems in the budgetary process — settlement, variances, corrective measures.

There are many other areas of business and administration which are discussed by the two officials, but it has been found that by and large the above list of activities demand most of the time and attention of the Regional Manager and the Area Superintendent in their discussions. It is of course true that in accordance with the varying conditions obtaining in an Area, one or more of these listed activities account for a major part of the Area Superintendent's time.

Rapport with Branch Managers

It is one of the fundamental points of the role of the Area Superintendent that he has to function on the basis of a reasonable understanding and rapport with the Branch Manager. It is only when the Area Superintendent is able to win the confidence and trust of the Branch Manager that the latter will come out with his problems, doubts and areas of ignorance. This becomes particularly relevant when we remember that Branch Managers are mostly subject to the normal inhibitions in regard to sharing problems with headquarters officials. There is the understandable fear that a frank expression of one's difficulties may well lead to an impression of one's comparative inepititude. The Area Superintendent thus has the important responsibility of creating conditions for drawing out the Branch Manager. Further, without a friendly and trusting relationship it is not unlikely that the Branch Manager would refuse to accept the advice tendered by the Area Superintendent. If this kind of understanding relationship is missing, the Area Superintendent would most likely be taken as an auditor (albeit in a different guise) or an official who is visiting the branch with the objective of spying on the Branch Manager and his activities on behalf of the Regional Manager.

A large majority of Area Superintendents did not have much difficulty in being accepted by the Branch Managers who were by and large junior to them in rank and service in the Bank. Even with those who were of the same age, service and seniority, there was no great difficulty in establishing proper rapport. However, the Area Superintendent found it a problem to relate on congenial terms in the initial stages with those Branch Managers who were older than he in age or were longer in service, although they were not senior to him in the Bank's hierarchy. These latter Branch Managers, because of their experience in their job, were somewhat reluctant to recognise the usefulness of the role of the Area Superintendent. Their apparent hostility to the Area Superintendent was born out of a feeling that their own long experience was being made light of. In the case of Branch Managers who were senior to the Area Superintendent in rank, the visits were more or less in the nature of courtesy calls and were undertaken mostly when the Regional Manager desired these or when the Branch Managers themselves sought assistance in minor matters. However, irrespective of the nature of the initial reception accorded to the Area Superintendents by the Branch Managers, it was incumbent upon the Area Superintendent to lay the foundation for his future work by establishing a cordial and understanding relationship with all of them. This was mostly accomplished after 2 or 3 visits and, except for one or two cases where the Branch Managers for some reason refused to co-operate or were indifferent in the matter, the Area Superintendent could be successful in this initial objective.

In establishing the necessary rapport, the Area Superintendent faced a variety of obstacles. We give below a selection of incidents which might give an idea of the type of problems encountered by the Area Superintendent in dealing with initially non-co-operative Branch Managers.

(a) the Branch Manager had an extremely negative attitude to business development and was generally not very co-operative with his controlling authority, the Regional Manager, in making the extra effort expected in different organisational situations. The real reasons for this kind of behaviour, not characteristic on the part of the Branch Manager, could not be easily surmised by the Regional Manager. When the Area Superintendent decided to explore this problem, he could identify the cause of the Branch Manager's untypical attitude. It came out that he badly desired the transfer of a recalcitrant employee out of his Branch. When this problem was identified, the Regional Manager could assure the Branch Manager that the problem would certainly be looked into and appropriate measures taken. The attitude of the Branch Manager changed remarkably from that point of time, and he was much more forthcoming in regard to the development of business and responsive to directions from the Regional Manager.

(b) A Branch Manager was very keen on being transferred from his branch situated in a fairly big rural centre to a metropolitan city to which he belonged. Conditions at the branch were not satisfactory, and the Branch Manager was generally unable to carry on well with his subordinate employees. His business, mainly agricultural finance, was suffering. The Area Superintendent, in jointly exploring these problems with the Branch Manager, was able to identify the real problem as the comparative ignorance and inexperience of the Branch Manager about the policies and procedures governing agricultural finance. The Branch Manager was helped to realise that this was the main cause of most of the troubles that he was facing, including loss of confidence of the employees and failure to have the loan proposals approved promptly by the higher authorities. An experienced official, well-versed in the operating procedures of agricultural finance, was accordingly posted at the branch. The Branch Manager was also assisted by the Area Superintendent with suggestions about how to pick up the expertise in agricultural banking on his own within a short period. With increased confidence acquired with the passage of time, the Branch Manager did not find it necessary to press for his transfer to a big city, nor did he encounter any difficulty in get-

ting along with the employees at the branch. Business prospered and the Area Superintendent was often consulted by the Branch Manager — something which he had never done before, except for pleading about his transfer.

(c) Having lost a promotion, a Branch Manager was in a dejected mood when he was transferred to a branch which was in a bad shape, with considerable arrears of work. When the Regional Manager's Department sent communications urging the expeditious reduction of backlog in various areas, the Branch Manager became convinced that his superior had a poor opinion of his work. At this stage, the Area Superintendent stepped into the picture, and put forward to the Branch Manager the point that the latter had been posted at the branch precisely because he was considered capable of restoring it to a proper state of efficiency. The fact that he had been overlooked for promotion had not been because the Regional Manager had a bad impression of him. The Area Superintendent also informed the Regional Manager that hard work was being put in by the Branch Manager to tone up the branch. Whereupon, to reassure the Branch Manager, the Regional Manager spoke to him on the telephone and clarified the situation. The role of the Area Superintendent in this episode was considered very useful by the Branch Manager.

(d) A Branch Manager had, for a variety of reasons, a resentment against the Local Head Office authorities. Most of these antipathies, according to the analysis made by the Area Superintendent, could be ascribed to lack of proper communication between that office and the Branch Manager. The real reason was found to be more often than not the absence of any explanation of the rationale behind many of the decisions taken by the Local Head Office about branch affairs. Most of these decisions, again, concerned rejection of loan proposals put up by the branch. Once this particular cause was identified by the Area Superintendent, he explained the background and the broader considerations why specific decisions had to be taken by the Regional Manager. This approach proved highly beneficial, for it is not always possible for the Regional Manager to put his reasons down in writing. A verbal communication was, as it turned out, highly effective in many instances.

As stated earlier, if the Area Superintendent is to prove himself of any use to the Branch Manager, it is imperative that he first gains his confidence. For this, as the illustrations above show, the one sure method is to satisfy the Branch Manager at the very outset by resolving some of his immediate problems or meeting some of his important needs. It is only after some such satisfaction is afforded to the Branch Manager that an Area Superintendent can hope to play his substantive role of guiding and counselling the Branch Manager on his subsequent visits.

Typical Problems

The problems most often encountered by an Area Superintendent relate to the personnel matters. The principal concern of the typical Branch Manager is how best to solve the multifarious problems in personnel administration, particularly those involving industrial relations. Unless the Area Superintendent could first prove his worth in advising on the personnel problems, the Branch Manager was not particularly interested in being counselled on other matters. The Area Superintendent in many cases was able to render significant assistance in imparting managerial skills involved in developing business, processing proposals for loans, improving branch procedures and systems, etc. Also, the usefulness of the Area Superintendent as an expediter of administrative decisions has been evident in many areas of work, including the sanction of advances, sanction of expenditure, supply of stationery, provision of staff amenities, new telephone connections, etc. But the real test in gaining the confidence of the Branch Manager was the ability of the Area Superintendent to analyse personnel problems and suggest alternative courses of action.

Turning our attention to the situation at headquarters, we may observe here that the Area Superintendent had to wait for some time before the importance of his role was recognised by the personnel in the Regional Manager's Department to which he belongs. While the relationship with the Regional Manager was generally happy, it was only when the Area Superintendent was able to provide valuable feedback over a period of time to the various functionaries in the Regional Manager's Department that his role was clarified and its utility acknowledged. In particular, the Regional Manager felt that the institution of the Area Superintendent definitely resulted in a reduction of references from branches and, consequently, in less paper-work at headquarters.

One of the constant dangers faced by an Area Superintendent is that the Branch Manager may make use of his services to meet his own ends. The Area Superintendent has, therefore, to be careful that in developing an informal relationship with the Branch Managers he does not give the impression that he is an all-purpose man whose services can be employed (at will) for jobs external to his role as a guide and counsellor.

Besides being made use of by Branch Managers, an Area Superintendent on occasion has had to do some extraneous jobs, usually while at headquarters. The occasion for being entrusted with such jobs, which are quite inimical to his organisational role, has usually arisen out of an acute shortage of personnel in the Regional Manager's Department. The types of 'extraneous' work which the Area Superintendent has had to carry out include processing and follow-up of audit reports on branches, replying to customer complaints, reviewing the monthly performance reports of branches, investigation of staff disputes at branches, undertaking deposit mobilisation drives, etc.

It is quite possible that the Regional Manager in these cases did not fully understand the dangers of distorting the role of the Area Superintendent. For the inevitable result of assigning to the Area Superintendent, the kinds of jobs mentioned above is a negation of his counselling role. The rapport that the Area Superintendent is required to develop and maintain with the Branch Manager would become infeasible if he has to carry out tasks which probably belong to a controlling authority or auditor. The Area Superintendent, left to himself, would not ordinarily be inclined to object to undertaking the extra work, for the simple reason that the tasks involved are traditional, tangible, and lead to job satisfaction through visible outputs. The jobs are accordingly not wholly unwelcome to the Area Superintendent, though obviously not sanctioned by organisational analysis. As it happens, however, the jobs in question are not merely extraneous in the sense of being just additional chores, but are intrinsically antithetic and harmful to the effective peformance of his role by the Area Superintendent. This damaging aspect of entrusting extraneous work to the Area Superintendent was perhaps not realised by the Regional Manager in some cases. It could also of course be that the Regional Manager did not quite appreciate, despite all efforts made by the organisation to explain the role of the Area Superintendent, the value of the objectives that are sought to be achieved through this new position. In particular, it is not improbable that the Regional Manager failed to grasp the deleterious repercussions that these extraneous tasks have on the effectiveness of the Area Superintendent.

Performance Appraisal

One of the important questions exercising the minds of the Area Superintendents as well as the Regional Managers is concerned with the way in which the performance of the Area Superintendents would be evaluated. What would be the criteria for judging whether a particular Area Superintendent has done well at his job? This question arose because the Area Superintendent's position was unlike almost all the other jobs existing in the Bank in the past, for which there were certain conventional criteria for performance appraisal. These traditional yardsticks were widely known, even though they may not have been deemed as perfect. In the new role of the Area Superintendent, however, these conventional criteria were not only inapplicable but, also, it was generally felt that it would be very difficult indeed to lay down a satisfactory set of norms for appraising the performance of the Area Superintendents.

The difficulty was no doubt realised even while designing the role, for there was hardly anything tangible which the Area Superintendent could show to his superior as proof of good work. The Regional Manager too had no clear evidence to go by for evaluating the work of his subordinate Area Superintendent. In most of the other jobs one could reasonably have something to show for work done. For an Area Superintendent, however, the most important task is that of counselling the Branch Managers, and the extent of success in performing his job would be difficult to judge through any conventional criteria.

However, the performance of the Area Superintendent, like that of all other functionaries in the Bank, has to be measured in terms of results. Some of the criteria proposed for judging the results are: capacity of the Area Superintendent to understand and sort out problem situations; reduction in the number of procedural lapses and other audit irregularities at the branches; improved efficiency in the disposal of business at the branches; improvement in industrial relations at branches; completeness of business proposals and other matters referred by Branch Managers to the Regional Managers; and a general reduction in the number and types of references to headquarters. While these may not yield quantitative data, they should assist the Regional Manager to a great extent in assessing the performance of an Area Superintendent. One needs also to be conscious that improvements in branch affairs in the areas listed above would not normally be entirely attributable to the efforts of the Area Superintendent or any other individual functionary. The contribution of the Area Superintendent should, in other words, be assessed realistically in the context of all other administrative and operational factors impinging upon branch efficiency, with due consideration for the dominant role of the Branch Manager himself. The appraisal of the performance of the Area Superintendent would thus unavoidably contain a substantial element of subjective judgment on the part of the Regional Manager — perhaps even more, having regard to the special characteristics of the Area Superintendent's role, than one usually associates with evaluating the performance of staff functionaries.

Role Ambiguity

The above discussion brings out the fact that Area Superintendents were likely to experience role ambiguity. There were serious ambiguities about what was required to be done by the Area Superintendents and how they were to proceed to make a success of their work. For instance, it was expected that the Area Superintendents would be reviewing the work of the Branch Managers, an essential step for helping them improve their managerial skills, but nothing was clearly spelt out about what aspects of the activities of a branch were to be reviewed and in what manner. This was important, because while carrying out this review the Area Superintendent has to ensure that he was not seen as an auditor, for otherwise the Branch Managers would not be forthcoming with their problems for discussion and guidance, but rather show that the position at the branch is on the whole satisfactory — something which people usually do when there is an audit. This review becomes a problem for the Area Superintendent because he does not know — and the Bank had not told him at that time — whether he is expected to check or even to call for and scrutinise documents, books and registers at the branch (which may, again, make it seem that he is carrying out an audit).

Similarly, on the issue of counselling — which is one of the main jobs of the Area Superintendent — there was quite a bit of uncertainty about the kind of relationship the Area Superintendent should build up with the Branch Managers. Then, again, the Area Superintendents apprehended that perhaps the Regional Managers would not take them into confidence about many of the important decisions affecting the branches in their respective Areas. There was also the fear that they would not be able to keep up with all the changes in policies and procedures that would be taking place while they were on their frequent tours of branches. Furthermore, it was brought out that the Area Superintendents were afraid that they would be 'neglected' by the officials of the Regional Manager's Department on account of their being away from headquarters most of the time and also because of the fact that they did not have any financial or administrative authority.

These apprehensions were genuine and significant. As the present author has observed elsewhere, these fears were "further compounded by the absence of any previous experience in jobs calling for superior skills in guidance and counselling, and operating with junior Branch Managers on the basis of equality, far removed from the usual pattern of working with legitimised authority. There was an almost unanimous demand from the Area Superintendents for more certainty about the nature of their role, about their specific duties and responsibilities, and about the criteria on which their performance would be appraised."[2] The demand for clarifying their roles was therefore strong at the time the Area Superintendents took up their jobs. This demand for increased role clarity remains an active factor even today. This is not surprising

because the role of the Area Superintendent has by its very nature and design to remain relatively amorphous and ambiguous.

Conclusion

The problem of administrative remoteness in a bank with a large number of branches is not merely one of communication difficulties stemming from geographical distance. The existence of a large and growing body of relatively inexperienced managers adds a crucial dimension to this problem. Unavoidably, more guidance and closer control have become necessary these days in view of these factors, and various organisational strategies are adopted to attain the desired degree of effectiveness in administering the branches. We have briefly touched upon some of the traditional approaches, such as dispersed controlling offices established in the heart of particular areas, the concept of link branches, and the system of personal visits of headquarters officials to branches. There are of course other conventional administrative mechanisms, like control returns, periodical audits, etc, which are simultaneously used to ensure proper supervision and control over branches.

The institution of the Area Superintendent, which we have discussed in some detail here, has been designed with the object of providing the controlling authority with yet another instrument of administration. The position of the Area Superintendent should not be looked upon as a substitute for any part of the traditional organisational machinery: it is best seen as an additional tool in the hands of the bank management for improving administrative effectiveness. Each bank has naturally to judge for itself whether this new organisational position, or rather this new approach to reducing what we have called administrative remoteness, is in some way relevant to its own peculiar needs. As there are rarely any standard solutions in organisational matters, a bank has necessarily to work out a strategy appropriate to its requirement.

Notes

[The views expressed in the article are my own. I am grateful to Ishwar Dayal for his encouragement and guidance in the preparation of this paper.]

1 For a description of the State Bank's new organisational structure, see Tushar K Das, "Reorganisation in State Bank of India", *Lok Udyog*, November 1971.

2 Tushar K Das, "Understanding Our New Organisational Roles", *State Bank of India Monthly Review*, October and November 1972.

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European Monopoly Corporations and Indian Entrepreneurships, 1913-1922

Early Politics of Coal in Eastern India

Ratna Ray
Rajat Ray

At the beginning of the twentieth century there was a striking development of Indian enterprise in the coal industry which led to sharp conflict between European managing agencies involved in coal mining and Indian colliery owners and coal traders. The conflict took the form of a confrontation between the Indian Mining Association, affiliated to the Bengal Chamber of Commerce, which had long represented the collective interests of the bigger European coal companies, and the Indian Mining Federation, newly organised in 1913 to promote unity among Indian colliery owners and affiliated to the Bengal National Chamber of Commerce.

The conflict between European and Indian coal interests, however, gave way to combination against labour agitation and political unrest at the end of the First War. The Indian Mining Federation and the Indian Mining Association were equally worried over the industrial strikes which took place during the mass upsurge of the Non-Co-operation Movement and were determined, if necessary, to meet the demand for increased wages by a complete lock-out.

I

European Managing Agencies and Indian Colliery Owners

AT the beginning of the twentieth century there was a striking development of Indian enterprise in the coal industry which led to sharp conflict between European managing agencies involved in coal mining and Indian colliery owners and coal traders. The conflict took the form of a confrontation between the Indian Mining Association, affiliated to the Bengal Chamber of Commerce, which had long represented the collective interests of the bigger European coal companies, and the Indian Mining Federation, newly organised in 1913 to promote unity among Indian colliery owners and affiliated to the Bengal National Chamber of Commerce.

In the late nineteenth century the European managing agencies had an overpowering presence in the coal fields of Raniganj and Jharia. But the coal mines, which could be run on small capital, were never a complete European monopoly like the jute mills, which required a huge capital outlay. Dwarkanath Tagore, a prince among early Indian entrepreneurs, had been one of the pioneers of the coal industry in Bengal. After the collapse of his business ventures in the crash of 1848, the coal mines acquired by him came to form the nucleus of the huge European-owned Bengal Coal Company. This company, the biggest among all coal companies in India, came under the control of the leading European managing agency of Andrew Yule and Company in 1908.[1] The Bengal Coal Company ruined many Indian colliery and land owners in the Raniganj area. In the late nineteenth century the bigger European corporations were expanding in the coal fields at the expense of the smaller Indian concerns. But Indian interests in coal were never completely crushed, since they subsisted on small local markets to which the managing agencies had no reach. There was no organised body of Indian colliery owners, but resistance was put up to the pressure of the European corporations by an informal leadership consisting of the Malia brothers of Searsole, Rameswar and Dakshineswar Malia.

The Malias, a Punjabi Saraswat Brahman family, owned the coal mine of Searsole and five landed estates. Their collieries were invariably leased out, so that the family had no direct stake in the coal mining and coal marketing business. But the Searsole family and the Bengal Coal Company, which were expanding in the same region around Raniganj, were frequently involved in armed clashes and judicial disputes about the acquirement of proprietary rights in new lands and coal mines. The Jamuria-Raniganj road, along which coal was sent to the Damodar river for transport to Calcutta, went through Searsole, where the Malias systematically held up Bengal Coal Company supplies. In one of the armed clashes two chaprasis of the Malia family were killed. Rameswar Malia changed his tactics after this incident. He became a member of the Indian Mining Association and tried to buy out Bengal Coal Company shares. He was a miserly millionaire with two passions in life — saving money and buying out Bengal Coal Company shares. Before the organisation of an association of Indian colliery owners Rameswar and his brother Dakshineswar acted for more than two decades as the informal representatives of the Indian colliery owners. Dakshineswar Malia was co-opted as the representative of the Indian colliery owners in a committee for mining legislation appointed by the government in 1895.[2]

The intrusion of the European managing agencies in the coal fields fostered a considerable degree of interlocking of jute and coal interests. Control of several jute mills and coal mines by individual managing agencies promoted horizontal concentration in the industries of Eastern India. European domination of the coal fields was partly a result of horizontal concentration. The jute mills in and around Calcutta were the single biggest consumers of coal in the private sector. These mills being controlled by European managing agencies, the orders for coal from the jute mill industry naturally went to European coal companies, which were usually managed by the same managing agencies. The interlocking of jute and coal interests brought another advantage to the European coal companies *vis-a-vis* Indian entrepreneurs. This advantage lay in the vital matter of transport. Railway wagons were in perennial short supply and there was fierce competition for wagons

between European and Indian coal concerns. Wagon supply was supposed to be based on the principle of *pro rata* distribution according to raisings of respective collieries. But collieries supplying coal to the railways and to purposes of public importance were allowed special supply of wagons. The special supply system, which always worked in favour of European coal companies, was a long-standing grievance of the Indian colliery owners. The coal manager of the East Indian Railway argued that the railway authorities had no hand in selecting the collieries to which special supply of wagons should be made. The selection was made entirely by the consumers and the majority of consumers preferred first class coal from the larger collieries. Jute mills, as the biggest private purchasers of coal, were in a position to make wagons available to coal mines of their own choice. Government controls over the coal industry in the matter of transport thus became an instrument of discrimination against Indian entrepreneurs. European domination of the coal fields was ensured by the competitive advantage of European coal companies in transport.[3]

European enterprise in the coal mining industry was mainly an appendage of imperial economic interests. The jute mills, the railways and the Calcutta Port were supplied with coal by the bigger European coal companies. These large consumers of coal were all oriented to the import-export trade of India, in which India's colonial relationship with Britain was most marked. Indian enterprise in the coal mining industry stood on its own — there was no interlocking with other interests. Consequently Indian colliery owners were more aggressive in the defence of the Indian coal industry than the Indian Mining Association. Members of the Indian Mining Association themselves admitted that the Association's obsession with interests other than those of the pure coal industry explained its lukewarm support or absence of support to abolition of all forms of coal control imposed by the government for the benefit of jute and other interests.[4] While European coal enterprise was subservient to imperial needs, Indian coal enterprise catered mainly to the domestic market, that is to say, the needs of the Indian population. The customers of the Indian colliery owners were usually consumers who cooked food with coal, and brick manufacturers who needed coal for burning bricks. The consumer interest and the brick manufacturing interest supported Indian enterprise in coal. Since these consumers were small consumers, Indian coal concerns were smaller than European ones and produced mainly cheap second class coal. They were handicapped by the discrimination by the government against Indians in favour of Europeans in the matter of wagon supply and coal purchase by the railways.[5]

II

Emergence of Indian Mining Federation

It was not until after the death of Rameswar Malia in 1912 that Indian colliery owners learned to stand up collectively to the pressure of the European coal companies. Three self-made Bengali entrepreneurs who rose from lower middle class backgrounds — N C Sircar, A C Banerjee and W C Banerjee — organised the Indian Mining Federation. N C Sircar, the biggest Indian coal producer managing five coal companies through the managing agency of N C Sircar and Sons, began as a Rs 7 a month porter boy in the employ of the Bengal Coal Company. A C Banerjee, who came from a somewhat higher station in life, was a lecturer in mathematics who switched to the coal business in 1902. W C Banerjee, a completely self-made man like N C Sircar, began as a government clerk and then found employment in the East India Railway Company in a branch dealing with transport of coal, thus coming in contact with colliery owners and coal dealers. He became a coal broker and merchant on his own, and after successfully financing several European companies during the coal boom of 1907, amassed enough money to buy half a dozen collieries himself. In association with N C Sircar and A C Banerjee, who became respectively the President and Secretary of the Indian Mining Federation, he guided the infant federation in its early days.[6]

The immediate occasion for the organisation of the Indian Mining Federation in 1913 was a coal boom in 1912 when shortage of wagons became extremely acute and the discrimination of the railway authorities in the supply of wagons particularly blatant. The wagon scramble assumed the character of a bitter conflict between big European coal companies and small Indian collieries, the former getting an unfairly and disproportionately liberal supply of wagons at the expense of the latter. Leading Indian colliery owners and coal merchants, who found their individual efforts futile against the powerful combine of the European companies, convened a meeting to fight for a fair share of wagons in March 1913. Bengali, Marwari and Gujarati owners



came from distant collieries to this meeting and moved that an Indian Mining Federation be formed and affiliated to the Bengal National Chamber of Commerce. The Indian Mining Federation was born as a result.[7] Within a few years almost all Indian collieries entered the Federation. It was an important and representative association, having on its roll 250 members owning 331 collieries in Bengal and Bihar and representing interests which controlled one-third of the whole coal output of the country.[8]

The early activities of the Federation lay mainly in three directions. In the first place, the Federation sent agents wherever wood was consumed in large quantities to replace it with second class coal. Efforts were thus made to expand the Indian consumer market on which the Indian collieries subsisted.[9] Secondly, the Federation also lobbied the government and the railways for using second class coal where it was economic. In public tenders for coal, although rates offered by the Indian colliery owners were lower, higher rates offered for the same quality of coal by European companies were being accepted by the railway authorities. The Federation moved in this matter and as a result Indians got some share in the orders placed by the railways.[10] Thirdly, the Federation agitated against the special wagon supply system. In this vital matter, however, it did not make much headway. The First World War broke out within a year of its birth and the general supply of wagons to the large number of collieries which the Federation represented fell extremely low, causing serious losses. This state of affairs was mainly due to the setting aside of the major portion of the available wagons for special supply. Some parties benefited at the expense of the rest. As the Secretary of the Mining Federation wrote to the EIR Agent, "a colliery which may secure a contract from a Railway, will get by preferential treatment, the full numbers of wagons it may require to meet the contract; secondly, it may get wagons again for special purposes; thirdly, the same colliery may further get rakes; and, lastly, it will again get supplies with the general body of collieries in the *pro rata* distribution of wagons according to raising and stock; whereas some collieries can get wagons only on the last ground".[11] As a result, a considerable number of collieries were unable to despatch enough coal to meet the actual expenses of working the mines.

III

Combination of Coal Interests against Mass Unrest

The conflict between European and Indian coal interests over wagon supply during the war gave way to combination against labour trouble and political unrest after the armistice. The Indian Mining Federation and the Indian Mining Association were equally worried over the industrial strikes which took place during the mass upsurge of the Non-Co-operation movement. During 1921, the Indian Mining Federation noted with alarm, there were no less than 137 strikes in Bengal.[12] Two swamis, Biswanand and Darsanananand, were organising the coal mine labourers. The reaction of the Indian Mining Federation was to gang up with the Indian Mining Association. The two official bodies representing Indian and European collieries agreed that no increase in wages would be considered without a guarantee of increased output. They were determined, if necessary, to meet demands for increased wages by a complete lockout.[13] The Indian Mining Federation took a hostile attitude to the newly-formed All-India Trade Union Congress and the EIR strike of 1922. N C Sircar, one of the founding fathers of the Federation, declared at the annual meeting of April 21, 1922:[14]

> I confess, gentlemen, we who are engaged in industrial pursuit have had not a few occasions when we have found ourselves unable to endorse the views and activities of the political section of our countrymen. In fact, in certain respects, our difference with them is acute and fundamental. We have for instance been charged with lack of sympathy for labour. This is an accusation which was openly hurled at us in connection with our attitude to the recent All-India Trade Union Congress. Gentlemen, let me explain our position. Nothing is further from the truth than to regard that we who represent Indian capital are not interested in the uplift of the Indian masses by which alone the nationalist aspiration may find its realisation. In this movement in its general aspect, we are interested enough but it is to be remembered that the ignorant mass we come in contact with does not represent in our special sphere an underdeveloped citizen but only a human factor in the production of wealth in the widest sense. This is an important difference which seems very often to be lost sight of by the political section. They seem scarcely to realise the tremendous effort we are making for the true regeneration of the country — I mean the economic and material advancement of India. The 'swaraj' that we have been striving for is far too real and difficult an achievement than what seems to be aimed at by a 'purely' political campaign pursued in feverish and what seems to me indeed a break-neck speed. The dream, on the other hand, that we the commercial community are dreaming is different but none the less glorious — it is the vision of India, prosperous and happy, seat of all industries and master of all markets, rolling in plenty and luxuriating in wealth.

The trade union leaders and NCO agitators did not aim their movement at the Indian capitalists, though their activities threw a scare among Indian and European colliery owners alike. Strikes were fomented by them mainly on European collieries. Darsanananand brought about in 1920 strikes at 6 collieries of Andrew Yule, 4 collieries of Equitable Coal Company, and 1 colliery of Bird, involving altogether 5,300 miners. At a meeting in Jamuria he preached the 'Bolshevik principle' of equity between rich and poor. On a second visit to Jamuria, however, he showed his real leanings. He told a gathering of 5,000 labourers that the real object of trade unionism was "to stop the work of European-owned collieries and to strengthen and enrich the collieries belonging to Indians".[15] By 1922 the trade union movement organised in Raniganj had collapsed due to misappropriation of funds by Darsanananda.[16]

Notes

1 "Andrew Yule and Company 1863-1963" (printed for private circulation, 1963).
2 Indian Mining Association, Report of the Committee, 1913-1915. 1895 to February 29, 1896.
3 Indian Mining Federation, Report of the Committee 1913-1915.
4 Indian Mining Association, Report of the Committee from 1st January 1922 to 31st December 1922. Proceedings of the annual general meeting.
5 IMF Report 1913-1915.
6 Indian Mining Federation Golden Jubilee Souvenir 1913-1963, pp 247-248 Somerset Playne and A Wright, "Bengal and Assam, Bihar and Orissa: Their History, People, Commerce and Industrial Resources" (London 1917), pp 226-229.
7 IMF Report 1913-15.
8 Report of the Bengal National Chamber of Commerce 1919-1920.
9 IMF Report 1913-15.
10 *Ibid.*
11 BNCC Report 1916.
12 IMF Report 1921.
13 *Ibid.*
14 *Ibid.*
15 Intelligence Branch Records, Calcutta, "The NCO Movement in Bengal 1921".
16 IB Records, "List of Labour Associations and Unions in Bengal, 1922".



M-56

Literacy among Scheduled Castes of Maharashtra

Nalini Pandit

Literacy and Educational Enrolment among the Scheduled Castes of Maharashtra by Suma Chitnis; Unit for Research in the Sociology of Education, Tata Institute of Social Sciences, 1974; pp 191.

THIS monograph is part of a national study undertaken by the Indian Council of Social Science Research to probe into the educational problems of the Scheduled Castes and the Scheduled Tribes. It tries to put together some basic demographic data describing these communities in the state, information regarding the facilities available for their education and a brief account of literacy and school and college enrolment among them. The data on literacy is based on the Census of 1961 and that on Scheduled Caste enrolment in schools and colleges is obtained from the State Directorate of Education.

The monograph is useful in that it collects information which, though available, is scattered in offiical, semi-official and other documents and records. As such, like any government directory, it would not call for extensive comment. But it also derives certain conclusions, implies policy recommendations and suggests problems for further research. As this report is to be followed by many other reports in the national study, a discussion of its methodology, it is hoped, would be useful in laying the guidelines for further research into the subject.

Though the monograph purports to provide some basic demographic data describing the Scheduled Castes and Scheduled Tribes, it does not give any information about the absolute population figures. All the 50-odd tables in the main body of the report, whether concerned with literacy or school enrolment, deal only in percentages. One would have thought that population statistics would be more useful for what is part of an all-India study than figures of percentages. The only statistical exercise undertaken is that of comparing, district-wise, the percentage of literates in the Scheduled Caste population with the percentage of literates in the total population. The difference between the two percentages is taken as a measure of relative advance or backwardness.

The whole procedure is questionable. The weightage of Scheduled Castes in the total population varies from district to district. For example, in the district of Kolaba, they form only 1.31 per cent of the total population, while in Bhir their percentage is as high as 13.51. The percentage of literacy in the total population is bound to be lower in the districts with high Scheduled Caste concentrations and the difference between the two percentages will be narrowed thereby. A proper course would have been to compare the Scheduled Caste percentage not with the percentage of literacy in the total population but with that for the non-Scheduled Caste population.

Secondly, the non-Scheduled Caste population is treated as homogeneous. This is surprising since the national study is aimed at understanding the situation of not only the Scheduled Castes but the Scheduled Tribes as well. Many of the districts which show a narrow difference between the Scheduled Castes and the total population in literacy — such as Chanda, Dhulia and Thana — are districts with a high proportion of Scheduled Tribes in the total population. If the same method is followed in other studies, then a report on Scheduled Tribes would show that the Scheduled Tribes have relatively high literacy rates in districts with a high percentage of Scheduled Caste population.

The simple difference in percentages of literacy between the Scheduled Castes and the total population cannot also be taken as a satisfactory measure of the relative advance of the Scheduled Castes. It leads to the conclusion that the disparity between the two increases with every advance of literacy in the total population. This might be true. But even if government measures for assisting the Scheduled Castes lead to a higher than average percentage rate of growth of literacy among the Scheduled Castes, the difference between the percentages of literacy for them and for the total population may actually increase if the initial difference between the two is very large!

It is unfortunate that the report considers the effect of caste on literacy to the exclusion of all other demographic variables. For instance the sex ratios differ from district to district, a district like Greater Bombay having a large excess of males and another like Ratnagiri an excess of females. How far does this difference affect the percentage of literacy among the total population and among the Scheduled Caste population? The report does not also provide any information regarding the actual enrolment of children in schools district-wise or about the proportion of children enrolled in schools to the total number of children in the school-going age. What is compared is the percentage of Scheduled Castes in the total population and Scheduled Caste enrolment as a proportion of total enrolment. It is therefore not clear whether the Scheduled Caste advance in certain areas, particularly in the Nagpur division, is due to the advancement of the Scheduled Castes or the relative backwardness of other groups in the population.

On the basis of these simple comparisons of percentages conclusions are derived and problems for further research are suggested. One of the findings of the survey is that all the five districts in which the Scheduled Castes are 'over-represented' at schools happen to be in the Nagpur division. This is sought to be associated with the fact that Wardha was the centre of Gandhi's movement to improve the status of Harijans and Nagpur happened to be one of the major centres of Ambedkar's movement for mass conversion of Scheduled Castes to Buddhism. A question is posed for further research: In what way did the Wardha ashram and the activities of Gandhi and Ambedkar exercise a favourable influence in Nagpur division? It is suggested, on the other hand, that the relative backwardness of the Scheduled Castes in Degree courses in Poona division may be due to the upper caste supremacy in this area, Poona being known as a stronghold of the Brahmin and upper caste elites of Maharashtra. It does not seem to occur to the author that the incomes or the occupations of parents might have some influence on the educational level of a particular group. Does this mean that economic variables have no place in the so-called sociology of education?

At a more general level also the monograph raises certain issues regarding social justice. The sort of com-

parison which the survey undertakes implies that the recipient of justice in society is a caste and not an individual. This concept might have been justified at a time when all the economic and social criteria of backwardness pointed to the same group. But with the economic change that has been taking place in our country in the last few decades; each caste is getting split into different class groups and the economic and social criteria of backwardness point, many a time, in different directions. The emphasis on statistical averages for whole castes suggests that whenever any particular backward caste shows percentages of literates or of school enrolment which is better than average those for the whole population, it will have to be eliminated from the list of castes getting government protection, it being assumed that the more fortunate individuals in that caste who have benefited from government measures will look after their less fortunate brethren. Even if the government does not follow this policy, such a demand may be expected to be made by other backward castes. The importance given to statistical averages is likely to create jealousies and rancour among different backward castes and might even lead to communal trouble. Social scientists cannot absolve themselves of the responsibility of analysing the implications of such measures of social justice and their effect on society. It is to be hoped that the Department of Sociology of Education of the Tata Institute of Social Sciences and the Indian Council of Social Science Research, which have sponsored the national study, approach this task in a more fundamental and systematic manner so that the reports which are to follow this monograph may be useful in evolving more effective policies for helping the backward sections of the community.

SPECIAL ARTICLES

Environment and Styles of Development

Ignacy Sachs

The merits of growth are today being questioned and, curiously enough, both the Left and the Right are dividing up into the opponents and champions of growth. The over-simplifications of the debate notwithstanding, we should not fail to observe the emerging political practice which has several claims upon our interest.

The long-term future is becoming operational, the notion of organising possible futures and choosing a desired future is gaining acceptance, an approach to planning which is both global and normative at the same time is beginning to take the place of extrapolation, and the systems approach is replacing the sectoral method legitimised by Cartesianism.

The hope of achieving continuous economic and social development hand in hand with rational management of the environment presupposes a redefinition of all objectives and all methods of action. The environment is a dimension of development, and must therefore be internalised at every decision-making level. Problems of resources, energy, environment, population and development cannot, in fact, be correctly understood unless they are examined in relation to one another; and this implies planning within a unified conceptual framework.

AFTER the anti-novel and counter-culture, zero growth. These are three symptoms, though very different from one another, of the re-examination of values by a society in search of new ideological responses to problems which have remained insoluble despite the spectacular progress of material growth, or which have arisen as a result of that progress: the generalised malaise of the young, the persistence of poverty, the aggression against the environment, the frustration of the Third World which today is wondering whether the very concept of development, founded upon efficiency, should not be replaced by that of liberation,[1] centred on social justice and the creation of a new man.

Only a profound sense of uneasiness can explain why the theme of zero growth should have so captured the public imagination and why it should have been taken up by public opinion within so short a time, despite the fact that it represents a complete reversal of the ideological outlook of the last two centuries and, still more, of the past fifty years. The frenzy of the mass media, the abuse of the computer to give credibility to this or that idea by investing it with scientific trappings, explain part of this phenomenon but not all. In a world traumatised by the crisis of the 1930s, the appearance of the socialist camp and the emergence of the Third World, growth was in good standing with capitalists and revolutionaries, profit-makers and lovers of justice alike, and the only differences of opinion related to the methods and uses of growth. Today, however, the merits of growth are being questioned and — curiously enough — both the Left and the Right are dividing up into opponents and champions of growth.

The new awareness of environment problems appears to be both one of the causes and one of the symptoms of this new outlook. True, the degradation of the environment is reaching unpleasant if not dangerous proportions here and there. But would this in itself have been sufficient cause for challenging the very objectives of society? Whatever the courses may be, the debate is now open.

Its over-simplifications, not to say mystifications, tend to be tiresome. Man is presented, now as the arrogant lord of creation and demiurge; now as the prisoner of a machine on a world scale in which production and pollution are conspiring to crush him and in which the only kind of history is natural history, in the sense that the degradation of energy introduces an element of irreversibility. For some, the quality of life is obtained at the price of limiting

material production; for others it is, on the contrary, proportional to the abundance of products.

Beyond these clumsy efforts we should not fail to observe an emerging political practice which has several claims upon our interest: the long-term future is becoming operational, the notion of organising possible futures and choosing a desired future is gaining acceptance, an approach to planning which is both global and normative at the same time is beginning to take the place of extrapolation, and the systems approach is replacing the sectoral method legitimised by Cartesianism. The hope of achieving continuous economic and social development hand in hand with rational management of the environment presupposes a redefinition of all objectives and all methods of action. The environment is a dimension of development, and must therefore be internalised at every decision-making level. Problems of resources, energy, environment, population and development cannot, in fact, be correctly understood unless they are examined in relation to one another; and this implies planning within a unified conceptual framework.

For the poor countries the alternative presents itself more than ever in terms of original projects of civilisation or of non-development, since to follow the path travelled by the industrialised countries appears neither possible nor, indeed, desirable. The rich countries will in future have to limit their wasteful use of resources which are in process of relative exhaustion; price fluctuations will enforce this to some extent, but it would be dangerous to leave such matters to the hazards of the market. The elimination of waste and the confinement, within acceptable limits, of the pollution caused by the production or consumption of certain goods will also raise the problem of limiting the growth of material consumption, and at the same time extending the range of social services in the broadest sense of the word in order to arrive at a form of development which makes less intensive use of resources and is, at the same time, less harmful to the environment. Such restriction of consumption cannot be achieved without institutional changes more radical than is at present realised, starting with the redistribution of incomes and the reduction of social inequalities. In addition, there are a number of international problems: assumption of responsibility for the global environment, development of collective international resources regarded as the common heritage of mankind (e g, the sea-bed), the impact on poor countries of policies initiated by the rich countries, and the creation of an international order capable of helping both to redefine their styles of life.[2]

There is enough here to occupy a whole generation of social scientists. In fact, a new connection will have to be established between the human and the natural sciences in order to achieve a better understanding of the interaction between natural and social processes of which man is both the subject and the object: a subject, let us add, conscious of belonging to nature and of his own gradual growth. Beyond an excessively possibilistic human geography and an excessively deterministic ecology, there is a new synthesis to be made in which the contradictions between anthropology and history will be abolished,[3] and models of energy circulation will be linked with models of the production and circulation of matter and commercial goods. In the meanwhile, the charting of the future must be based on the practice of operational history in the Braudelian sense.[4] In order to learn to define possible futures we must start by dismantling the manifold models of the past, in which population, resources, energy, technology, environment and social institutions are fitted together in a variety of fashions. In this context, *La Terre et l'Evolution Humaine* by Lucien Febvre[5] remains astoundingly topical after the passage of fifty years.

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How is the new awareness of environment problems affecting the planner's[6] field of vision?

Let us begin with a few necessary distinctions and definitions.

The term "environment" covers, on the one hand, the sum total of identified and identifiable natural resources existing in finite quantities on Earth, and, on the other hand, the quality of the environment or, if one prefers, of the *milieu*, which constitutes an important element of the quality of life and which also determines the available amounts and quality of renewable resources. In fact, the dividing line between the renewable and non-renewable resources is not drawn once and for all. Renewable resources may in the end be destroyed by pollution, and recycling makes possible the repeated use of non-renewable resources. Generally speaking, however, the distinction between these two groups of resources remains valid and useful.

Let us now consider the environment proper. A more ambiguous concept has rarely been known. Of the multitude of proposed definitions, we shall set aside two which are largely complementary.

For the systems approach experts, the environment is made up of everything that does not form part of the purposive system under consideration, though it does affect the performance of that system.[7] As the system endows itself with environment policies, so the environment is less in evidence, and the success of these policies will consequently be measured by the disappearance of the very concept of environment, which will in the end be internalised by the system

Let us now abandon the game of paradoxes, and draw attention to one operational advantage of the above definition. It invites to better identify the ecological and societal impacts of the actions undertaken in order to achieve the explicit objectives of the purposive system constituted by development policies. Such an analysis should lead to a redefinition of development objectives with a view to more effective control of the ecological and social impacts of proposed action.

At a different level, the United Nations Environment Programme (UNEP) speaks of the total habitat of man. This ecological definition of the human environment has the disadvantage of being too comprehensive. But it can be interpreted more restrictively.

Let us distinguish three subsystems within the environment:

—the natural environment
—the man-made technostructures
—the social environment,[8]

and let us endeavour to study the effects of each of these on the living and working conditions of the different social agents[9] and on the operation of enterprises (this corresponds, in an expanded form, to the problem of positive and negative externalities). The quality of the environment will be described by means of "objective" indicators and will, at the same time, be apprehended at the level of its perception by the different social agents. Hence the need for a set of indicators ranging from physical and chemical measurements of the quality of water or air to psycho-sociological surveys and including analyses of the availability and accessibility of collective facilities, housing and social services, which will entail simultaneous recourse to statistics and to the time-budgets of the various agents.

As already stated, the two above definitions are *not* mutually exclusive. The former stimulates the planner's awareness of the inter-relations between natural and social processes. The latter concentrates on a more limited problem which is nevertheless of fundamental importance in the choice of development objectives — *that of the quality* of the environment properly speaking.

Let us now try to establish a relationship between the environment (M) and the population (P), techniques (T), natural resources (R) and the product (Y).

The development economist's traditional field of vision is represented in Figure 1. By means of the available techniques, the population transforms the resources into the appropriate product for purposes of consumption and social reproduction. The dialectic between demographic pressure and resources forms the subject of a large literature dealing with technological and social change. Is it a source of progress or of involution? Put in such general terms, the question cannot be answered. There is no single model to describe the numerous configurations of these variables. On the contrary, systematic efforts on the part of historians and anthropologists are called for to arrive at a typology of situations based on concrete data.

Let us now introduce the environment M. Figure 2 indicates the relevant new relationships:

- R → M and T → M, effects on the environment of methods of utilisation of the resources and of the production techniques employed;
- Y → M, impact on the environment of the methods of consumption of products;
- P → M, impact of human settlements on the environment;
- M → R, degradation of natural resources due to pollutions;
- M → Y, conditioning of production through the quality of the environment;
- M → P, environment as a component of the quality of life.

Figure 2 does not, of course, set out to do anything more than point out the relevant relationships which, over and above the traditional factors used in planning, must be taken into consideration within the framework of a strategy aimed at making development compatible with the management of the environment. At best, the Diagrams presented above have a heuristic value and will have to be modified in every

FIGURE 1

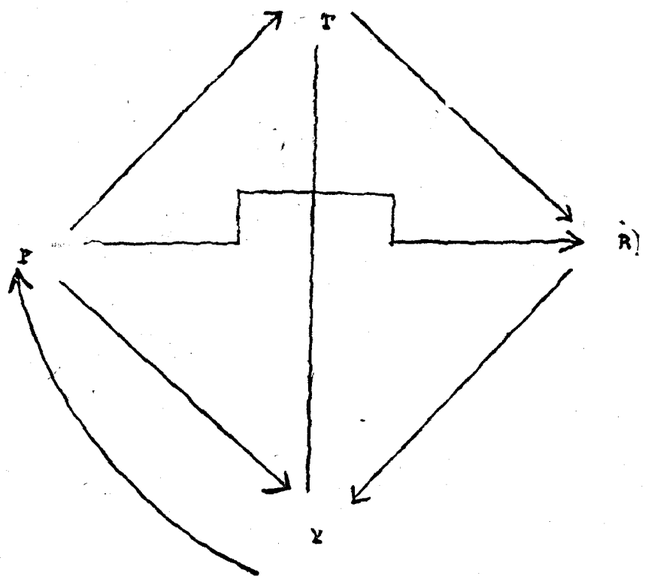
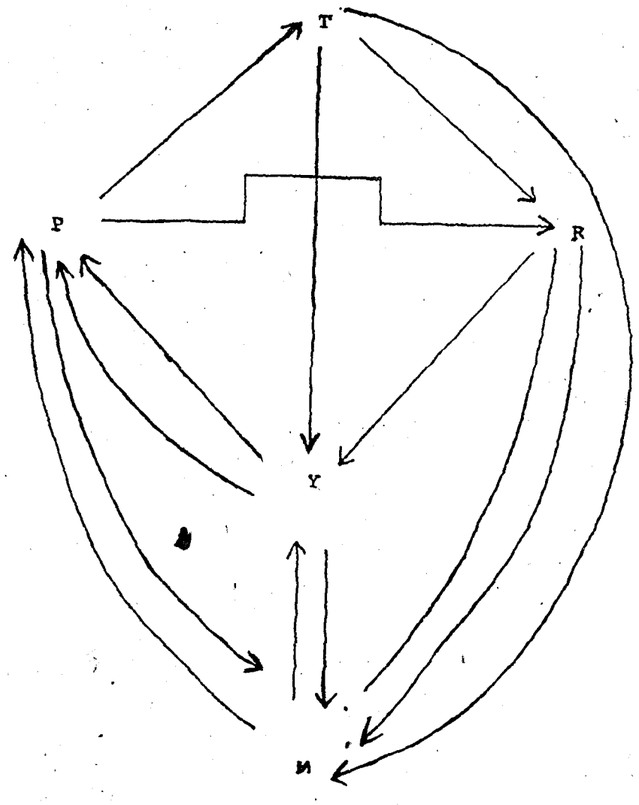


FIGURE 2



concrete case. Likewise it would be impossible to indicate once and for all the operational variables for such a strategy. On the other hand, it is possible to identify the critical levels at which action will take place. We distinguish six such levels, a brief description of which is given below:

(1) The consumption structure, which, in turn, depends on the distribution of incomes and on the totality of values recognised by the society in question;

(2) The socio-political regime and, more particularly, its manner of dealing with social changes; in market economies, the rule is to let enterprises internalise profits and externalise costs, while in socialist or mixed economies, the State may, in theory, change this rule of the game;

(3) The techniques employed, where a distinction has to be drawn between, on the one hand, the adding of antipollution measures to the escalation of production and of the resulting nuisances and, on the other hand, the introduction of techniques which are not destructive of the environment,[10] i e, where the environment factor has been internalised;

(4) The methods of utilisation of natural resources and energy, analysed from the viewpoint of wastage of rare resources, possible recycling of waste products, and even of controlling the obsolescence rates of certain durable goods and equipment with a view to reducing the utilisation of rare resources incorporated in them;[11]

(5) Land occupation systems, since the same types of production and activities lead to very different effects depending on their localisation;

(6) Lastly, the size, rate of growth and distribution of the population, it being understood that population size alone cannot serve as an indicator of its pressure on natural resources; by reason of their high *per capita* consumption, the few hundred million inhabitants of the rich countries exercise much more pressure than the thousands of millions of inhabitants of the Third World.

In view of the complexity of the subject and of the many ways in which the relevant operational variables can be fitted together, there can, of course, be no question of proposing a single development strategy. And so we come back once more to the search for alternative futures.

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The foregoing general considerations have led to the formulation of the concept of eco-development.[12] This concept aims at defining a style of development particularly suited to the rural regions of the Third World, though this does not mean that it cannot be extended to include towns, as we shall see in the case of New Bombay.

Its main features or guidelines are as follows:

(1) In each eco-region, efforts are made to develop those of its resources which are specifically needed for the satisfaction of the basic needs of the population in regard to food, housing, health and education, these needs being defined realistically and independently so as to avoid the undesirable effects of copying the consumption style of the rich countries.[13]

(2) As man himself is the most valuable resource, eco-development must above all contribute to his fulfilment. Employment, security, the quality of human relations, respect for the diversity of cultures — or, if one prefers, the development of a satisfactory social eco-system — are all part of this concept. A certain symmetry is discernible between the potential contribution of ecology and social anthropology to planning.

(3) The identification, exploitation and management of natural resources[14] is conducted from the standpoint of a forward-looking solidarity with future generations. Depredation is strictly prohibited and the exhaustion of certain non-renewable resources — which is inevitable in the long term — is mitigated by the dual approach of avoiding wastage and making the greatest possible use of renewable resources which, if they are correctly used, should not be exhausted ever.

(4) The negative impact of human activities on the human environment is reduced by resorting to procedures and forms of organising production which make it possible to take advantage of complementarities of all kinds and to use waste for productive purposes.

(5) In tropical and sub-tropical regions in particular, but everywhere else as well, eco-development relies on the natural capacity of the region for photosynthesis in all its forms. Since guideline no 1, as applied to energy, tends to attach great importance to the use of local energy sources and to give preference to means of transport other than the private car, one result should be a reduction in the consumption of energy from commercial sources (and in particular hydrocarbons).

(6) Eco-development implies a particular technical style, since the above guidelines cannot in most cases be applied without the development of appropriate techniques. There are two comments to be made here.

The development of eco-techniques will play a very important place in eco-development strategies for the obvious reason that it is at this level that compatibility can be achieved between various objectives — economic, social and ecological — since technical change would appear to be the principal multi-dimensional variable in planning.

But it would be wrong to assimilate eco-development merely to a technological style. It calls for certain social organisation procedures and a new education system.

(7) The institutional framework for eco-development cannot be defined in the abstract without regard to the specific features of each case, any more than can the new forms of rural institutions proposed by the World Bank for achieving some success at last in the attack on absolute poverty in rural areas and for exploiting the potential of the impoverished masses of the Third World by providing the small peasant with production equipment and techniques suited to his economic and ecological conditions.[15]

We can however state three basic principles.

Eco-development calls for the establishment of a horizontal authority which is capable of looking beyond the interests of particular sectors, is concerned by all the facets of development and is able constantly to control the complementarity of the different activities undertaken.

Such an authority cannot be efficient without the effective participation of the populations concerned in the realisation of eco-development strategies. This participation is essential for the definition and harmonisation of actual needs, for the identification of the productive potential of the eco-system and for the organisation of the collective effort to develop it.

Lastly, it is essential to ensure that the results of eco-development are not impaired by any plundering of the populations concerned, by intermediaries acting as contacts between the local communities and the national or international market.

These principles can be applied without too much difficulty in areas of the Third World where agrarian reform has been undertaken, and also in every case where the community structures have remained in being.

(8) One necessary complement for the

machinery of participatory planning and management is preparatory education. This argument applies *a posteriori* in the case of eco-development, where it is essential also to make people aware of the dimension of the environment and the ecological aspects of development. Lastly, as we have already said, it is essential to internalise this dimension and thus to change the system of values and predominant attitudes to nature or, on the contrary, to preserve and strengthen the respect for nature which is still a characteristic of certain cultures.[16] This result may be obtained either by formal or environmental education. The Chinese experience is very instructive in this connection. The eco-techniques developed in China do not differ appreciably from those which other peasant societies have known and practised; but what is new is the education which proceeds and accompanies their application,[17] and determines their scope.

In brief, eco-development is a style of development which, in each eco-region, calls for specific solutions to the particular problems of the region in the light of cultural as well as ecological data and long-term as well as immediate needs. Accordingly it operates with criteria of progress which are related to each particular case, and adaptation to the environment, as postulated by the anthropologists, plays an important part. Without denying the importance of exchanges — and we shall revert to this matter later — it tries to react against the predominant fashion of allegedly universalist solutions and panacea-type formulas. Instead of placing too much emphasis on external aid, it relies on the capabilities of human societies to identify their problems and devise their own original solutions to them, though drawing on the experience of others. It rejects passive transfers and the spirit of imitation, and gives pride of place to self-reliance.[18] It avoids the pitfalls of extreme ecologism, and suggests on the contrary that a creative effort to benefit from the margin of freedom offered by the environment is always possible, however great the climatic and natural constraints may be. This is amply borne out by the differences between cultures and human achievements in comparable natural environments. But success depends on a knowledge of the environment and on the will to create a lasting balance between man and nature. The setbacks and disasters in which certain societies have foundered offer equally eloquent evidence of the high price which has to be paid for inability to organise the relationships between man and nature.

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With the assistance of some examples taken from the fields of production, food, housing, energy, industrialisation of renewable natural resources, conservation of resources and organisation of social services, we now propose to illustrate the scope of application of eco-development strategies, with special reference to eco-techniques.

(1) *Food*

The "green revolution", at least in its first phase, is based on a universalist and diffusionist philosophy of development which places too much emphasis on the virtues of transfers of technology and the widespread use of certain "miracle" varieties of wheat and rice. We are unable here to examine the complex and controversial subject of its results, and we shall therefore merely mention that many critical analyses insist that there are limits to its applicability, since it assumes that the problem of irrigation is solved and it also calls for extensive industrial inputs. In addition, it has contributed to an increasing social polarisation and an even more inequitable distribution of income in the countryside. Lastly, it involves ecological risk both because of the reduction of genetic variety and because of the extension of single-crop farming which is more vulnerable to epidemic disease than mixed farming.

Is it necessary to conclude from this that cultural borrowings and "modern" agriculture should be ruled out? Though certain champions of so-called biological agriculture may not agree with us, we reject this conclusion. The mere list of the plants originating from America which are now being cultivated by the rest of the world is enough to demonstrate the absurdity of such an approach, quite apart from the fact that the abandonment of chemical fertilisers and insecticides would lead immediately to a decline in production with very serious consequences. Nevertheless, it is possible to take a stand against the views incorporated in the "green revolution", and to stress the specific potentialities of each eco-region in regard to food production.

This leads us to draw attention, first of all, to the importance of ethnobiological research in order to take advantage — if only as a point of departure — of local people's knowledge of their natural environment, that "practical science" of primitive peoples and peasants whose richness and accuracy are constantly surprising anthropologists and ethnobotanists.[19]

The striking diversity of types of agriculture and cultural habits in the world may be analysed from the standpoint either of their adaptation to natural eco-systems or of the transformation of these systems. A classic study by Clifford Geertz draws a comparison between the irrigated terraces of Java — veritable aquaria fashioned by man for rice cultivation — and nomadic agriculture practised on patches of burnt soil which constitutes an imitation of the tropical forest.[20] These are two extreme cases in many respects — the degree of artificiality, and supportable population densities (that of the rice fields is as much as 2,000 inhabitants per km²); they are also two cases of felicitous adaptation to very different sets of ecological conditions. They reflect two very different orientations for agronomic research, the one relating to highly labour-intensive methods of production involving massive populations living in a small area, the other pointing to the development of mixed farming based on the "chacras" of the Amazonian Indians and the gardens of the indigenous population of Polynesia. In the view of several experts, the apparent disorder of the latter conceals a profound rationality.[21]

In general, we have insufficient knowledge about agriculture in humid tropical areas; and priority should therefore be given to eco-techniques applicable in this area, on which a reasonable development pattern for Amazonia will to a large extent depend. This in itself is a highly controversial theme. Should Amazonia be developed or should it, on the contrary, be kept as a "reserve", as certain people advocate?

In view of the programmes already undertaken and the existence of mineral wealth in this region, this question is rhetorical, particularly since the argument that the Amazonian forest is one of the "lungs of the world" producing oxygen is scientifically unsound. The only real problem is how this development will be effected (and what is to be done with the last of the Indians). Will the development be effected by traditional techniques which involve cutting down the forest[22] in an attempt to transform it into artificial pampas and open fields — which is quite impossible — or, on the contrary, will it be effected by eco-techniques which respect the forest but turn it to greater profit? The results will depend on this basic choice and the ability to create in Amazonia a new "plant life" civilisation. Can it be that the pessimism of Betty Meggers[23] is due perhaps to the fact that she does not believe in the second possibility, while the optimism evident in the last writings of Gourou reflects precisely a genuine act of faith in human creativity in planning.

Whichever be the case, it will of course be necessary, here as everywhere else, to make use of methods which are already known and belong within the range of "classical" solutions, even though they may not have been adequately used hitherto. By way of example, we may mention the use of cassava or stripped sugarcane as fodder. But the bulk of the effort must be based on new approaches, of which we shall mention only a few.

First of all, forest-farming, which the Anglo-Saxons describe as three-dimensional forestry, using the forest as a source of industrial materials and also of animal fodder and human foodstuffs.[24] A glance back to the European Middle Ages will show that forests were long used as "a cattle fodder yard of unequalled quality", in the words of a Burgundy chronicler of the fourteenth century, quite apart from the role which they have long played as a source of energy. For a long time past, Germans have spoken of the *Nahrwald* — the forest as a source of fodder — whose value is calculated in terms of the number of pigs it can feed.[25] The same evidence is provided by the study of certain primitive societies. One example is the astonishing case of the inhabitants of Ukara Island on Lake Victoria in Tanzania, which has a dense population of livestock breeders whose animals are kept in yards and fed on a mixture of leaves from specially planted trees and from aquatic plants.[26] This opens up prospects of research on trees which can produce human foodstuffs, either directly or indirectly through producing fodder. This research is regarded as essential for the future of agriculture in humid tropical areas, since tree cover seems to be the best cover for the soil in these regions.[27] We may note in passing that forest rehabilitation will call for a change in some ideas profoundly rooted in European civilisation, which has grown accustomed to regard forest-clearing as synonymous with economic progress.[28] The rational management of the fauna and the taming of certain species may, in certain conditions, constitute a counterpart and a valuable extension of forest-farming.[29]

Next — aquaculture or the "blue revolution" (as opposed to the "green revolution") in all its aspects: the cultivation of aquatic plants and the breeding of fish and animals in fresh water, lagoons and the sea, instead of a continuous fish-kill. There are abundant examples of this, starting with the familiar case of fish breeding in pools, where a judicious combination of cultivation practices and fertilisation produces very high yields with eco-techniques which require practically no capital investment.[30] Mention may also be made of the possibilities of breeding milk-fish in brackish-water lagoons. From certain lagoons fertilised by sewers in Indonesia it is possible to obtain a yield of 5,000 kg/ha/year. In Taiwan, fish breeding with fertilisers produces yields of 2,000 kg/ha/year; and it has been calculated that in South-East Asia 350,000 km² of water are suitable for breeding milk-fish. If they were put to use, they could produce 70 million tons of fish at the Taiwan productivity rate, or the equivalent of the world fish catch.[31] One more difficult but also promising field is the taming of certain species of aquatic mammals which feed on plants. The most notable example might be the sea-cow, which unfortunately is almost entirely extinct. In tropical regions where the soil is ill-suited for the the creation of meadows, aquatic plants offer great possibilities as fodder for buffaloes and other animals.

Going on a step further, we come to the production of proteins from leaves of various kinds,[32] including weeds.[33] Under certain conditions, the plants infesting certain lakes could likewise become a raw material for the extraction of proteins, and eutrophication could be prevented in this way.[34]

It goes without saying that biological pest control methods, and also genetic research on local species which might be exploited, both naturally come within the framework of an eco-development strategy.

Most of our examples have been taken from the humid tropical zones. The problem is quite different for the arid and semi-arid zones, though it is possible to imagine eco-development strategies for these areas as well. Recent studies have pointed to the possibility of developing plants which are particularly suitable for photo-synthesis in areas where there is a lot of sunshine, high temperatures and little water.[35] It is true that the development of deserts may call for eco-techniques with a high capital-intensiveness, but capital is not lacking in the petroleum producing countries. A Japanese research project which was originally undertaken with a view to desulphuring the petroleum of the Persian Gulf points to the use of asphalt injected beneath the surface of the desert to prepare certain areas for the hydropinic cultivation of plants which are genetically suited to the brackish-waters existing in the region. It is essential to mention also the political importance of studies of this kind, as a possible contribution to solving the Middle East conflict by developing the resources of the desert. The national aspirations of the Palestinians and Israelis could be satisfied more easily if the ecology of the region were changed; and the "Great Petroleum Scare" and the consequent sharp rises in prices have made it possible to envisage a machinery for financing such an enterprise through a small surtax on petroleum, long-term loans advanced by the petroleum producing countries and the conversion of the the military aid provided to the two opposing camps into a desert development fund.

(2) *Housing*

Every year, the housing shortage on the world scale increases by some 4-5 million units in urban areas alone.[36] The situation in the countryside is far from being satisfactory. And yet, paradoxically, this is a field in which over the centuries human societies have created dwellings of varying types according to the locality and culture, and well adapted to the eco-system and the climate,[37] but in which misunderstood modernity has led to such ravages that it has become necessary over recent years to re-invent "eco-dwellings" reflecting a high degree of ingenuity in the choice of materials, the use of solar and wind energy, water recycling, etc.[38] Housing comes within the framework of eco-development under three closely linked aspects:

—the use of building materials of local origin, which are abundant and cheap, ranging from bamboo to mud; this is a problem which has been studied in some detail, but much remains to be done in practice, starting with the rejection of an alien system of values according to which an aluminium roof or a steel and cement house imported at great expense is regarded as a symbol of modernity even in the bush;

—the adaptation of the dwelling itself to ecological conditions; as we have already stated, this is the field par excellence for the cultural creativity of man, in which it is necessary to take a deliberate step backwards to re-

examine traditional housing and possibly draw some inspiration from it. A rigid attitude of a reverence for tradition is, of course, undesirable; but architects should pay more attention to anthropology and move beyond the false universalisation with which their discipline is at present tainted;[39]

—lastly, the integration of ecology and anthropology with urbanistic thinking and with the elaboration of structural plans for towns and all other human settlements; this is by far the most difficult task and the one which has so far been least studied. Hence the importance of the pioneering efforts made by the creators of the New Bombay plan. This city of two million inhabitants is to be built with a minimal allocation of resources for housing proper, since the housing is to be provided by self-construction on very small plots; but a very elaborate plan for the occupation of the ground (which has been made possible by prior purchase of land by the authorities) and rapid collective transport by railway will together provide the inhabitants with living and working conditions which will be very reasonable compared with those in other towns in India.[40]

(3) *Energy*

The debate on the importance of non-classical sources of energy is highly charged and we have no intention here of taking a position on this controversial subject. It is enough merely to state that the recent increase in petroleum prices has already upset many hard-and-fast ideas. We shall not say anything of the possible solutions to the problem of large-scale energy production but, in the context of eco-development strategies, we must refer to the importance which might be attached to the elimination of the energy wastage which occurs so often in the consumption style of the industrialised societies, and to the possible contribution which might be made — in the case of domestic energy uses and small production units — by solar energy (for example for pumps, kitchen stoves and water heaters), wind energy (for the local production of electricity), small dams and even the production of methane from organic sources.[41] These various procedures are justifiable in the conditions of isolation which exist in many rural regions; and they also have the advantage that they can be applied on an even more reduced scale, for example on a single farm. The possibilities of using geothermic energy should, of course, also be carefully assessed where they exist.

(4) *Industrialisation of renewable resources*

One way of combating the possible shortage of certain non-renewable resources might be to restore pride of place to the "plant life civilisations" which are so well described by P Gourou and whose importance is so evident in Far Eastern cultures.[42] We do not advocate a pure and simple return to the past as do the partisans of the so-called intermediary and "soft" techniques, but would rather propose some detailed research on the possible use of plant life as an industrial raw material, both for building materials and for chemical products. The rise in petroleum prices makes this all the more necessary, and it increases the urgency of devising techniques for the rational management and exploitation of tropical forests and water bodies. We believe that a special place should be reserved to "mixed techniques" — i e, transforming the qualities of a product by highly technical processing, as the terminal stage in an otherwise traditional production procedure which offers plenty of employment. All forms of processing and impregnating timber and plant fibres, based on the latest advances in modern chemistry and offering new outlets for certain products of tropical forests and agriculture, provide a good illustration of this concept.

(5) *Conservation of natural resources*

As we have already indicated in regard to the definition of eco-development, the maintenance of natural resources in the name of a forward-looking solidarity with future generations is an integral part of this strategy. It seems that it is also an excellent field for "human investment",[43] since many soil and water conservation activities, reforestation, etc, are suitable for the use of highly labour-intensive techniques. Also, as spare labour is often available, at least outside the season of major agricultural activity, it is possible to envisage natural resources conservation programmes which would not to any large extent diminish the capacity of a country to undertake other development enterprises. This is one opportunity which should not be missed, as the example of China eloquently demonstrates.[44]

(6) *Social services*

If, as has been suggested, the social environment is to be considered as part of the global environment concept, as meaning the total habitat of man, an eco-development strategy must naturally include forms and techniques for providing social, educational and cultural services which are adapted to the specific conditions existing in the rural areas of the Third World and also call for as little capital as possible. Many recent studies and the experience of a number of countries prove that such techniques already exist at the level of para-medicine and rural education. In these conditions, Third World countries should be encouraged to attach much more importance to these activities than they are given in the civilisation projects of the industrialised countries, since the possibilities for developing these services are best at the time when social worker's salaries — like all others — are still low. In other words, the poor countries have a comparative advantage in creating many social services which also offer employment possibilities that are more valuable to society than the traditional tertiary sector (domestic services and small business). Paradoxically, it is the countries of the Third World which have the best chance of creating genuine welfare States.[45]

*

The concept of eco-development is intended to be operational. It constitutes a guideline for action (or, if one prefers, a philosophy of development) whose value can be judged only in the light of practice. Is it merely a return to the illusions of community development? Not necessarily so since, by comparison with the community development schemes for the rural areas of the Third World, it is richer in two aspects: first, there is the critical reflection on the failures of those schemes and accordingly the desire to do better, particularly at the institutional level, and secondly there is the link with natural and social ecology which is revolutionising the habits of thought of the developers.

The application of the concept does, however, require a sustained research effort accompanied by pilot activities subject to critical review, so that permanent feedbacks are established between practice and action-oriented research.

In particular, it is essential to promote the gathering and circulation of information on eco-development experiments as identified and described by anthropologists, historians and human geographers, and also on eco-techniques developed and applied by different indigenous peasant cultures and, to an increasing extent, by certain research laboratories. The purpose of this will be three-fold: to inspire the imagination of research workers and persons responsible for regional planning, to assist in the training of eco-developers and, occasionally, to suggest experiments in adaptation, particularly between similar eco-zones. This will require a vast programme of comparative and inter-disciplinary research and voyages in space and time, undertaken through a network of scientific collaboration in which our colleagues of the Third World will have primary responsibility, since encouragement must be given above all to exchanges within the Third World, on a South-South axis, by insisting on co-operation between eco-regions which are similar but situated in areas geographically distant from one another.

On the basis of these exchanges, supported by specific case studies, it would be possible to define points of interest to serve as foci for the collaboration of biologists, technologists and planners — three professions which have in the past had too little contact with one another. Their exchanges would lead to the formulation of research priorities on eco-techniques and organisational forms of eco-development.

Without waiting for the results of all these exchanges, it is possible even now to undertake certain pilot activities, designed to show that regional or micro-regional development strategies would be improved if they were oriented in the direction of eco-development. The elaboration of eco-development scenarios would make it possible, in a first stage, to take stock of actual knowledge — or gaps in knowledge — on this matter, to test the participatory and unified approach to planning and to train eco-developers. In a second stage, it is conceivable that the eco-development concept will simply be assimilated by the regional planners and will thus be generally used to contribute to the identification of development styles appropriate to each specific case; and, in the long-term, the internalised environment as a permanent dimension in the field of vision of the planner is destined to vanish as a specific field of action.

It would seem that, as a result of the Stockholm Conference, conditions now exist for the above suggestions to be put into effect without delay by the United Nations Environment Programme.

Notes

[This paper was written for the United Nations Environment Programme.]

) Goulet, "The Cruel Choice — . New Concept in the Theory of)evelopment", New York 1973, p XII-XXI.

2 See in this connection the report of the United Nations Symposium on Population, Resources and the Environment (Stockholm, September-October 1973).

3 This social metascience is postulated and practised by M Godelier. See *Horizon*, "Trajets marxistes en anthropologie", Paris 1973, pp 13-82.

4 See in this connection our article "Histoire Globale et Prospective du Tiers Monde", *Diogene*, Number 73.

5 L Febvre, *La Terre et l'Evolution Humaine*, Paris 1972.

6 The present piece of work partly represents our study "Ecodesarollo: un aporte a la defenicion de estilos de desarollo para America Latina" prepared for the ECLA in July 1973.

7 W Churchman, "The Systems Approach", New York 1968.

8 The human environment is also of course made up of men (see T Maldonado, *Environment et ideologie*, Paris 1972, p 15).

9 In this respect F Engels' work on the conditions of the working class in England stands out as a classic of the literature on the environment.

10 The category of non-destructive environmental technologies is broader than that of "soft technologies", defined as inflicting no damage to the environment, as not calling for a great deal of capital or for high qualifications and able moreover to be applied on a small scale. See in this connection: P Harper, "Technologies Douces" and critique of the Western model of development, *Perspectives*, Volume III, Number 2, 1973, and our article published in the same review under the title "Techniques Douces, Civilisation Projects, Development".

11 One cannot over-emphasise, in in this context, the importance of setting up a patrimonial accounting system for nature in order to be in a position to detect the consumption entailed by the irreversible whittling down of the capital of nature or, if one prefers, the rate of exploitation of the environment (for this last concept see R G Wilkinson's fine book, "Poverty and Progress, An Ecological Model of Economic Development", London 1973, and also Dasmann, Milton Freeman, "Ecological Principles for Economic Development", London 1973.

12 Maurice F Strong, Executive Director of the United Nations Programme for the Environment, launched the idea of eco-development at the first meeting of the Administrative Board of this Programme, held in Geneva in June 1973.

13 As the Pakistani economist Mahbub-ul-Haq has rightly written, "the developing countries have no choice but to turn inwards, in much the same way as Communist China did twenty-three years ago, and to adopt a different style of life, seeking a consumption pattern more consistent with their own poverty — pots and pans and bicycles and simple consumption habits — without being seduced by the life style of the rich" ("Crisis in Development Strategies", *World Development*, Volume I, Number 7, 1973, p 29).

14 It should never be forgotten that the very concept of natural resources is tied in with culture; as C O Sauer has said, natural resources are a civilisation's estimates of its environment (quoted by P Gourou, *Pour une geographie humaine*, Paris 1973, p 240).

15 See in this connection the recent address by Robert S McNamara, President of the World Bank (Address to the Board of Governors, Nairobi, September 24, 1973) and the work of the United Nations Committee for the Planning of Development and the United Nations Research Institute for Development on the Unified Approach to Planning.

16 Development as it is traditionally defined always signifies ascribing an unconditional priority to culture over nature. On the other hand, as is stressed by Claude Levi-Strauss, amongst primitive peoples, the relation between culture and nature assumes a certain ambiguity: the latter is at one and the same time pre-culture and sub-culture, but, above all, it contains a super-natural component (*Anthropologie Structurale* II, Paris 1973, p 274).

17 See in particular J B R Whitney, "Ecology and Environmental Control in China's Development Experience", special issue of *The Annals of the American Academy of Political and Social Science*, March 1973, Volume 31, Number 1, pp 95-109.

18 This English term consecrated by Emerson, used again in the context which is of interest to us by Gandhi, and more recently again by Nyerere ("Ujamaa: Essays on Socialism", Dar-es-Salaam, 1968) has connotations which the usual French translation — "developpement autocentre" — renders very imperfectly.

19 See, amongst others, C Levi-Strauss, *La Pensee Sauvage*, Paris 1962, pp 3-47, and J Barrau, "Plantes et comportements des hommes qui les cultivent. L'oeuvre ethnobiologique d'Andre Haudricourt", *La Pensee*, Number 171, October 1973, pp 37-46.

20 C Geertz, "Two Types of Ecosystems", in A P Vayda (ed), "Environment and Cultural Behaviour", New York 1969, pp 3-25.

21 See for instance for the "chacras" of Indians, B J Meggers, "Amazonia: Man and Culture in a Counterfeit Paradise", Chicago 1971, and S Varese, "Au sujet du colonialisme ecologique", *Les Temps Modernes*, April 1973; for the gardens of Polynesia, R A Rapaport, "The

Flow of Energy in an Agricultural Society", *Scientific American*, September 1971.

The International Rice Research Institute has just begun a research programme on "multiple cropping" conceived as a carry-on from the "Green Revolution", keyed to the humble peasant who lacks capital and access to irrigated lands, but could grasp perfectly well a new technique which would depend essentially on his labour and on knowledge of the environment and would afford him a possibility of increasing and diversifying his production. (See G Conway, J Romm, "Ecology and Resource Development in South-East Asia", The Ford Foundation Office for South-East Asia, 1973).

22 Naturalists can be found who justify the cutting down of the forest by pseudo-scientific arguments. Has not Henrique Pimenta Veloso, adviser to the Brazilian Government, just explained that the Amazonian forest is in the process of growing dangerously old and of degenerating beneath the weight of the liana and that 30 per cent of it must be cut down before it is too late? (*O Estado de Sao Paulo*, September 4, 1973). His statements called forth a caustic commentary from the *Journal do Brasil* of September 5: "it would appear that the erudite ecologist has the soul of a lumberjack and of a cattle-breeder".

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23 The book already referred to by Meggers bears the significant subtitle of counterfeit paradise. Gourou, whose assessments of the virtual possibilities of Amazonia have greatly evolved, writes in his last work: "it is more realistic — and more scientific — to think that it is on account of the lack of farming techniques and adequate backing technologies that it has not been possible for a permanent and abundantly productive agriculture to be established in Amazonia. If an ingenious civilisation had risen up in Amazonia, there would be no lack of people to say that it had been favoured by the vast expanse of arable land, by the abundance and regularity of the rains and by an admirable navigable network, unique in the world" (*Pour une geographie humaine*, Paris 1973, p 95).

24 See by way of example the excellent article by James Sholto Douglas, "L'Agrisylviculture pour accroitre la production alimentaire de la nature", *Impact: science et societe*, UNESCO, Volume XXIII, Number 2, 1973.

25 See P Deffontaines, *L'Homme at la foret*, Paris 1969, pp 37 and 44. See also, for examples of the role played by the forest in providing food during the early Middle Ages and the integration of agriculture, stock-raising and sylviculture, Georges Duby, *Guerriers et paysans VIIe — XIIe siecles*, Paris 1973.

26 P Gourou, *Lecons de geographie tropicale*, Paris 1971, pp 160-161.

27 See R Revelle, "Population and National Resources — Land and Water Resources", document prepared for the United Nations Symposium on Population, Resources and Environment (Stockholm, September 26-October 5, 1973).

28 In this connection European culture is in opposition to that of the Moslem East, as has been rightly noted by J Le Goff: "A great mantle of forests and heaths interpersed with cultivated clearings of varying degrees of fertility, such is the face of Christendom — like a negative of the Moslem East, a world of oases in the midst of deserts. Here wood is scarce, there it is plentiful, here trees are civilisation, there they are barbarism. The religion which rose up in the East in the shelter of palm trees, made its appearance in the West at the expense of the trees, the refuge of pagan spirits, which were mercilessly cut down by monks, saints and missionaries. All progress in the medieval West took the form of land clearance, of fighting and vanquishing the brushwood and bushes or, if it was necessary and if technical equipment and courage made it possible, the woods, the 'gaste foret' of Percival, the *selva oscura* of Dante." (*La Civilisation de l'Occident medieval*, Paris, Arthaud, 1967, p 169).

29 The great English biologist Julian Huxley reached a similar conclusion with regard to the African savannahs. See "Riches of Wild Africa" in "Essays of a Humanist", Harmondsworth, 1966, pp 177-201.

30 H Dickenson describes Chinese practices whereby are obtained up to 8000 kilos of fish yearly for each hectare of pond subject to a very sophisticated management, involving the feeding of fish by snails, by the chrysalises of silk worms, the leaves of sweet potatoes, and enriched by pigs' dung ("Rural China", 1972. Report published by the School of Engineering Science, University of Edinburgh, p 133). In Peruvian Amazonia we visited an example of experimental pisciculture where the fish were fed on termites, which opens up possibilities of managing in a new way the trophic chains.

For a very exhaustive wide view of the problems of aquaculture, see J E Bardach, J H Ryther and W O McLarney, "Aquaculture: The Farming and Husbandry of Freshwater and Marine Organisms", New York 1972.

31 P Gourou, *Pour une geographie humaine*, Paris 1973, p 27.

32 See the studies carried out by N W Pirie, a pioneer in the field, and in particular the volume edited by him: "Leaf Protein: Its Agronomy, Preparation, Quality and Use" (Blackwell Scientific Publications for the International Biological Programme), Oxford and Edinburgh, 1971.

33 See S B Gore and R N Joshi, "The Exploitation of Weeds for Leaf Protein Production" in "Tropical Ecology with an Emphasis on Organic Production", Athens (Georgia) 1972, pp 137-146.

34 Thus at the 11th International Great Dam Congress, held at Madrid in June 1973, the Soviet delegation announced the construction in the Ukraine of a factory for the extraction of proteins from the plants which infest the artificial lakes.

35 See O Bjorkman, J Berry, "High-Efficiency Photosynthesis", *Scientific American*, Volume 229, Number 4, October 1973, pp 80-93.

36 "World Housing Survey", prepared by the United Nations (Doc E/C. 6/129), New York 1973.

37 See in this connection Amos Rapaport, *Pour une anthropologie de la maison*, Paris 1972; Pierre Deffontaines, *L'Homme et sa maison*, Geographie Humaine, Paris 1972; and, with regard to the Arabic house, Hassan Fathy's excellent book, *Construire avec le peuple*, Paris 1971; Gilberto Freire has studied the adaptation of the ecosystem to the Brazilian colonial house in *A Casa Brasileria*, Rio de Janeiro, 1971.

38 As one example amongst others mention may be made of the experimental house built at McGill University in Canada: sulphur, a by-product of oil-refining, was used as material, the energy in the wind was harnessed to produce electricity, solar energy was used for cooking and heating water. The creativity of the authors showed itself above all with regard to water husbandry: separating of three qualities of water in terms of use, recycling and purification with the aid of solar energy, collecting of rain-water, condensation of air humidity, choice of simple and judicious methods of sprinking for washing, etc. (A Ortega and collaborators, "The Eco Operation", Montreal 1972).

39 Let us refer once again, by way of example, to Hassan Fathy's fine work.

40 See Charles Correa's excellent study, "Self-Help City, the Internal Organisation of Metropolitan Areas" submitted to the United Nations Symposium on Population, Resources and the Environment (Stockholm, September 26-October 5 1973).

41 Either on the basis of algae, or on the basis of dung, as is already being done in India; in the latter case, this constitutes important economic progress, for cowdung traditionally serves as fuel, wood being scarce; the new process makes it possible to extract fuel to meet the needs of the village, with the aid of a simple device, and also to obtain manure.

42 See P Gourou, "La Civilisation du vegetal", *Indonesie*, Number 1 (5), 1948; and, by the same author, *La Terre et l'homme en Extreme Orient*, Paris 1972, and in particular pages 26-29.

43 See in this connection E Raynaud's work, *Investissements humains Illusions et realities*, Paris, The Hague, 1969.

44 See in this connection the article already mentioned by J B R Whitney, "Ecology and Environmental Control" and the study made by Chang Kuang-tou, Chen-Chun-Ting, Li Kuei-fen and Liu Ling-Yao "Construction of Dams for Water Conservancy", Peking 1973; and for a general formulation of possibilities with regard to the application of labour intensive methods for the conservation of resources, see our contribution to the Founex Symposium of 1971: "Environmental Quality Management and Development Planning: Some Suggestions for Action", in "Development and Environment", The Hague, Paris, 1972.

45 For further details, see our article: "A Welfare State for Poor Countries", *Economic and Political Weekly*, Volume VI, Numbers 3, 4, 5, January 1971.

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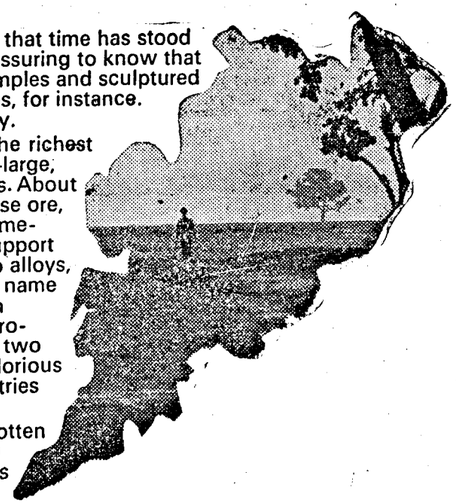


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Credit Policy, Interest Rates, Central Banking, and All That

H T Parekh

So long as it cannot be established that there has been speculative inventory build-up in any section of industry, any large increase in bank credit need not cause the kind of alarm it has caused among academicians.

One has only to see the recent increases in foodgrain prices, steel prices, coal prices, transport costs, prices of imported items such as metals and chemicals, and wage costs to realise that the volume of bank credit could not but have reflected these steep increases.

It is idle to say that by an even more stringent credit policy and high interest rate policy we could have hoped to succeed in reversing the price situation.

THE credit policy for the busy season 1973-74, as originally announced in November 1973, and as modified soon after, the actual developments in the credit situation during the busy season and the recent announcement regarding the credit policy for the slack season are all behind us. These developments could perhaps be usefully reviewed now, particularly in this journal in which some contributors have sought to condemn totally the current credit policy (e g, "Interest Rates — Some More Tinkering", April 6, and "Credit Policy — Loss of Credibility", April 27).

I am no advocate or defender of the Government's or the Reserve Bank's policies. I myself hold different views and would like to set them down for public debate. My particular object here is to question the views expressed by your correspondents on credit policy and interest rates. I would even go a step further and say that any attempt to carry out the suggestions made by your correspondents would have disastrous consequences.

Busy Season Experience

Coming to various aspects of credit policy for the last busy season, one can see that the authorities have been under pressure from two opposite directions. On the one hand, the inflationary price situation, the unusual rate of increase in money supply and the high level of deficit financing have forced the hands of the Reserve Bank to take some drastic steps by exercising severe measures of credit restraints, both selective and non-selective. On the other hand, the business community, industry and trade, large-scale industry and small-scale industry, non-priority sectors and priority sectors, such as exports, agriculture, etc, have found it increasingly difficult to meet their credit needs even for genuine purposes, and even from their own bankers, because commercial banks themselves have come under severe pressure in regard to their resources. Commercial banks' credit increased sharply between October 1973 and April 1974, nearly twice the figures estimated by the authorities (from Rs 650 to over Rs 1,000 crores) and yet the demand for credit, even for productive purposes, could not be fully met. Your several correspondents have charged the Reserve Bank in a nonchalant way with failure to restrict credit and call up advances, as if credit can be so easily rolled back. Even the declared credit policy could not be operated effectively because several banks have been unable to adhere to the various liquidity requirements prescribed by the Reserve Bank and have found themselves in the unenviable position of having excess drawings and having to pay to the Reserve Bank penal rates for them.

The credit policy for the busy season was based, firstly, on certain estimates made by the monetary authorities about the likely increase in credit needs in relation to expected increase in bank deposits. In the light of such assessment, revised liquidity requirements were laid down on commercial banks at the beginning of the busy season. Under these requirements, the cash ratio of banks was raised from 3 per cent to 7 per cent and the liquidity ratio of holding of Government securities increased from 30 per cent to 32 per cent. The major consequence of this policy was that the deposits of banks got impounded to the extent of about Rs 500 crores. Much of the trouble in the busy season 1973-74 can perhaps be traced to this impounding of deposits.

This development had a chain effect and far-reaching consequences on the banking situation. During the busy season, the spiralling of prices continued further and it would appear that the estimates made by the authorities of the busy season needs may not have taken adequately into account the impact of rising prices on the demand for bank credit.

However, the authorities had to work under great pressure to meet the legitimate credit needs of production and export and, in order to meet these requirements, they opened a new avenue by encouraging bill discounting with the Reserve Bank which grew phenomenally during the six months. A new window to provide credit was opened which helped considerably to reduce pressure on banks. Commercial banks' borrowing from the Reserve Bank also increased sharply during this period, often at penal rates which meant that banks were unable to maintain the prescribed ratios. The pressure of demand for funds was also reflected in a sharp rise in call money market rates to 20 per cent before they were pegged at 15 per cent indicating a scramble by banks for the available funds. Some funds had even to be injected into the banking system through the call money market to keep interest rates under control.

Even more seriously, individual banks' liquid position got so out of gear that they were driven to refuse credit even to their established clients and even for export purposes. The Reserve Bank rightly held the view that it was not concerned with how each bank operated and that it could not do much if any particular bank found itself over-strained. However, this did not help the overall situation, but further added to the dislocation in banking. As banks declined to provide the required credit, borrowers turned to people with credit balances and to non-banking channels, which in turn had the serious effect of holding down the deposit growth of banks, which further tilted the balance against the banks.

The banking authorities ultimately made available, directly or indirectly, the credit needs of the busy season almost to the full extent which came to about twice the official estimates made at the beginning of the season. In this sense, the credit policy was applied in a flexible manner, though it meant in effect modification of the policy as announced. In this, the authorities acted correctly.

However, in the process, much distortion has taken place in the field of banking operations — both on the deposit front and the credit front. A certain undermining of confidence in banks has resulted for the borrowers as well as depositors. This is an unfortunate development which requires looking into and correction.

The question to ask is : was a restrictive credit policy justified this year? Comparison with the 1972-73 busy season credit expansion is not relevant as, by all accounts, the harvest this season (1973-74) was much larger. Credit policy has to respond to the supply situation, and, as events have shown, even the larger credit expansion that has eventually taken place has proved somewhat restrictive.

Secondly, would not a more gradualist policy have brought about the same results — with less confusion and greater efficiency? Could it not be said that the banking resources impounded were excessive and caused undue strain on the banks? Instead of rushing in with an excessively restrictive credit policy and later beating a hasty retreat from it, perhaps it would have been better to have tightened the credit screw gradually to acheive the required effect.

Interest Rate Policy

Your special correspondent (April 6) has described the current policy as a low interest rate policy and has made sweeping and unworkable suggestions of almost doubling the deposit rates of banks, steep rise in the Bank Rate and a rise of over 50 per cent in term lending rates. I question the very basis of your correspondent's views. The present policy is itself a high interest rate policy, and I would favour some reduction in interest rates. Neither a predetermined personal notion about the interest rate structure, nor any comparsion of interest rates with other countries, particularly the UK, can have any validity in determining the right structure of interest rates for India. Nor would an academic concept of "real cost of capital to a developing country" have any practical application in India, for there is no accepted theoretical basis for working out a rate structure and I am not sure whether economists would agree among themselves about the method of working it out or about the rates of interest so worked out.

On the other hand, the most workable and realistic approach would be to review the country's interest rate structure in a historical perspective, because, as a result of experience extending over generations, people come to regard a certain rate structure as a norm and judge changing rates of interest from time to time in the light of such a norm. I wish our economists and theoreticians would take pains to study the actual pattern of interest rates as it has existed in India for the last 50 years, if not more. During this long period, the country passed through booms and depressions, periods of shortages and surpluses, of war and peace, all under a fairly stable policy of moderate interest rates, with much success. Only in the last 6 to 8 years it seems to have become fashionable to keep raising interest rates in the fond belief that will somehow help in bringing down prices, which has not happened. Ironically, banks operate on a prescribed *minimum* lending rate of 11 per cent, even when credit is in such short supply (warranting if anything, a ceiling rather than a floor). Rates ranging from 12 per cent to 15 per cent are considered normal, and advocates like your correspondents suggest even further steep increases.

Those who are over-critical of the interest rate policy of the authorities on the ground that they are too low, fail to take into account the psychological fact that people in India have traditionally come to regard 6-9 per cent as something of a norm in interest rates. First class business firms who accept deposits are known to pay even today interest rates expressed as 10 annas or 12 annas per month, i e, 7½ per cent to 9 per cent. For generations, Courts when they had to deal with deposits in any law suits, stipulated a rate of interest of 6 per cent, which has since been raised to 9 per cent. Even medium and long-term rates of interest, as expressed in yields on government loans, have varied between 3½ per cent and 6 per cent for over 75 years. The advocates of much higher interest rates take no notice of these historical facts and do not seem to regard them of any relevance in determining an interest rate policy in practice.

It seems to me that a prime interest rate structure for short and long-term, ordinarily moving within the range of 6 per cent to 10 per cent, can be regarded as reasonable and appropriate in India. Any rate in excess of that would be regarded as high and can be justified at best as a temporary measure and for special purposes. The argument that you should make allowance for inflation can be met by pointing out that during the period of World War II of 1939-45 there was much greater inflation than in recent times and yet it was possible for the monetary authorities to keep down interest rates. In my view, the commercial banks' current lending rates ranging from 11 to 15 per cent are excessive and are not serving any anti-inflationary purpose, because of other factors connected with supply and demand in the country. In some measure, they are helping to raise the cost structure in the country.

One vital fact often overlooked is that when we talk of interest rate structure, we talk of it as operating in the organised money and capital market. Alongside, there is also a sizeable non-organised money market which caters primarily to the small-scale industry, agriculture and the small businesses, in urban and in rural areas. Normally the ruling rates in this market are 3 to 5 per cent higher than in the organised market (e g, the Multani Hundi rates). The availability of funds and the rates of interest at which such funds are available in this market depend directly on the supply and rates of interest in the organised money market. The impact of any upward change in the organised sector is quickly and sharply felt by the unorganised sector. Today, when commercial banks lend at from 11 per cent to 15 per cent, the ruling rates of interest for the small borrower in the other market ranges from 20 per cent onwards. The advocates of high rates of interest lose sight of this important aspect. Small businesses operate on a low margin and can ill-afford to borrow money on such onerous terms. In recent years, banks are granting more loans on concessional terms to this sector which is considered a priority sector, but banks will never be able to grant to this sector all the finance it needs and the businesses will continue to have to depend on the non-organised market for a vital part of their needs.

In short, what our economists themselves regarded as usurious ten or twenty years ago, has now become the respectable rate in their eyes. Now, even still higher rates are advocated by them which presumably they do not regard as usurious.

As the columns of this journal amply show, the fashion of the day is to keep pressing for higher and higher rates of interest and to keep beating the Reserve Bank of India for not doing enough in that direction. It may be, that the advocates of high interest rates see something socialistic about high interest rates and therefore find them justifiable. If so, this is rather curious. I would have thought one method of capitalist exploitation is through high or usurious interest rates. It is, therefore, difficult to justify high interest rates even on presumed socialistic leanings.

Future Credit Requirements and Policy

The credit policy announced for the slack season is also based on certain tentative estimates, which may or may not prove correct. However, the authorities have taken the right step of permitting some increase in deposit rates, at the same time discouraging banks from further increase in their lending rates. They have been right in reducing the cash ratio requirements from 7 per cent to 5 per cent. However, they have partially negatived this concession by requiring an additional 1 per cent bank holding of government securities. Thus, liquidity requirements will be reduced from 39 per cent (32 + 7) to 38 per cent (33 + 5).

This poses the question whether the authorities are right in requiring banks to maintain a liquidity of 38 per cent and yet expecting them to meet the real needs of industry for credit in adequate measure. Apart from rising prices, both of controlled and non-controlled goods, and rising wages, requiring a larger volume of credit for sustaining the same activity, it should also be recognised that the past 2-3 years were years of economic stagnation, while the coming years indicate expansion in production, requiring a larger volume of credit.

It would seem, therefore, that the monetary authorities would have to be willing to bring down the liquidity requirements of banks gradually to 30 per cent (25 + 5) over the next 2 to 3 years, to release banking resources for business needs (which includes the growing credit needs of public sector enterprises). While the cash reserve ratio of 5 per cent can be considered reasonable, the present requirement of 33 per cent for government securities would appear to be on the high side and would act as a constraint on banking resources for productive use. This ratio should be constantly reviewed and policy should be to relax the ratio as the economy picks up. The banking sector would be able also to meet adequately the government's need for resources through public borrowing because accretion of new deposits would make available, on the basis of 25 per cent, a sizeable amount for investment in government loans. On an annual addition to bank deposits of Rs 1,500 crores, even at the ratio of 25 per cent, government can depend upon banks for nearly Rs 400 crores in the form of government loans. Economic growth would itself bring about increased demand for government loans from banks and other saving institutions.

However, the policy for the slack season as announced, and the indication given for the full year ahead, recognise the need for expansion of credit. It is based on the expected increase in bank deposits and permits of 35 per cent of such deposits being used for providing credit. At the same time, by the end of the slack season in 1974, the banks are expected to reduce their bill discounting to 40 per cent. Perhaps, the most flexible part of the policy is that provision of refinance will be discretionary and not automatic. In a way, such a policy would be welcome to banks but it also has the weakness of bringing about too much of intervention on the part of the Reserve Bank. The policy for the slack season as announced, however, lacks simplicity and is rather involved. It suffers from the danger that commercial banks would lose much of their operational freedom and would have too often to turn to the Reserve Bank before they are able to take any action. Over-dependence on the Reserve Bank would be good neither for the Reserve Bank nor for the commercial banks.

Central Banking Policy and Inflation

Ultimately, inflation can only be contained by increased production. The current inflation is partly imported, but is largely the result of economic stagnation in India. There are many indications to suggest that government policy is now geared to increasing production, as reflected in the budget and revised industrial licensing and pricing policies. The success of these endeavours also depends upon larger availability of credit and capital. Credit policy necessarily has to be based on expansion of credit, while the critics, if they had their way, would want to deny such credit, because presumably, in their view, a policy of credit restraint by itself would be able to bring down prices.

It seems to me that, as reflected in the writing of your various correspondents and in the memorandum of the over 100 Professors, there is an over-concern about deficit financing and in regard to expansion of bank credit by the commercial banks, and about money supply, as there is inadequate appreciation of the credit needs for production and exports.

What must be borne in mind is that central banking is neither a science nor an art but a craft. The monetary authorities need to gather the various strands and evolve a workable pattern of bank credit appropriate both for the short-term and for the long-term economic needs of the country. This would seem to require closer consultation among industry, banks, economists and government than at present. Ultimately, the policy can only be evolved by trial and error. Perhaps, both the monetary authorities and their critics have tended to take too literally their own tentative estimates of possible credit expansion and then believe in such figures as something sacrosanct. Due to the complexity of conditions in India, all statistical exercises must have built into them large margins for imponderable factors. Increasingly over the years, commercial bank credit is utilised largely for industry. The impact of the busy season is much less today than in the past and during the slack season also return of bank credit does not have the same impact as in the past. This development would seem to warrant an official review of the credit policy every quarter, rather than twice a year, at the beginning of the busy season and of the slack season, as at present. This may help formulate a more appropriate credit policy by the Reserve Bank of India in the light of quarterly revision of estimates.

So long as it cannot be established that there has been any speculative inventory build-up in any sector of industry, any large increase in bank credit need not cause the kind of alarm it has caused among academicians. One has only to see the recent increase in foodgrain prices, steel prices, coal prices, transport costs, prices of imported items such as metals and chemicals, and wage costs to realise that the volume of bank credit could not but have reflected these steep increases. It is idle to say that by an even more stringent credit policy and high interest rate policy we could have hoped to succeed in reversing the price situation.

Chairman's Speech

DUNLOP INDIA IN 1973

Creditable Performance in a Difficult Year

The following is the address by the Chairman, Mr. R. G. S. Nairn, at the 48th Annual General Meeting held on May 17, 1974, at Calcutta.

I have pleasure in welcoming you to the 48th Annual General Meeting of the Company.

As the Directors' Report and Accounts for the year ended 31st December, 1973, have been in your hands for some time, I should like, with your permission, to take them as read.

THE AUTOMOTIVE TYRE INDUSTRY

Industry production in 1973 totalled approximately 50 lakhs automotive tyres, about the same as in 1972. The continued power shortage, difficulties in obtaining raw materials, frequent dislocation in transport facilities and labour problems in some units affected the production of the Automotive Tyre Industry in 1973. As a result, the gap between demand and availability of important product groups such as truck, rear tractor and earthmover tyres has been further widened.

The Fifth Five-Year Plan target is 100 lakhs automotive tyres, which is to be achieved in 1978-79. It has been planned by the Government that the major part of this expansion programme will be achieved by new manufacturing units and letters of intent have been issued to about 15 new units. In this context, it should be remembered that the gestation period for new units can be three to four years, particularly due to extended deliveries for machinery. Consequently, the main burden of meeting the increasing market requirements will continue to rest on the existing manufacturers in the next few years.

Following on the decontrol of selling prices for automotive tyres and tubes, the Industry increased prices with effect from 29th April 1974, in order to cover a part of the cost increases which have taken place since November, 1968, when the prices were last fixed.

In order to ensure that those tyres which are in short supply are available to genuine consumers at the recommended retail prices, the Industry, with the assistance of the Central and State Governments, is now in the process of implementing a revised distribution system.

THE COMPANY OPERATIONS IN 1973

Sales

Total sales of your Company increased by 6.1% over 1972 to Rs 101.65 crores. This is the first time that our turnover has exceeded Rs 100 crores.

The demand for all our products continued to rise. However, in spite of the increased production, we were not able to meet the demand, particular for truck tyres where a shortage continues due to insufficient capacity. Your Company, therefore, took special steps to try to ensure equitable distribution throughout the country. As in the past, we have maintained priority of supplies to vehicle manufacturers, State Transport undertaking and Defence.

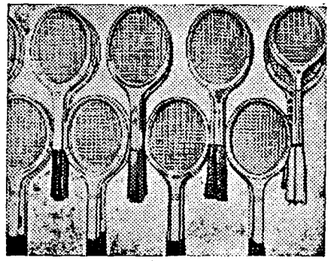
Sales of non-tyre products, particularly industrial rubber products such as conveyor and transmission belting, hoses and vee belts, increased by 11.2% by maximum utilisation of capacity. However, the availability of bicycle rims was badly affected by a shortage of rim strip.

Exports

Dunlop India set up a new record in 1973 by exporting to 87 countries and earning Rs 3.33 crores, the highest achieved by any tyre company in India.

Amongst the products exported were a variety of automotive tyres, including tyres for aeroplanes, cycle tyres and tubes, cycle rims, vee belts, transmission belting and rubber solution. The range of cycle tyres developed exclusively for export continued to perform well in the sophisticated U.S.A. market.

A special feature in 1973 was the development of exports of products



An order for nearly 100,000 tennis rackets was secured from the U.K.

such as sports goods, particularly tennis and squash rackets, produced by small-scale enterprises, as also bicycles, bicycle components and slotted angles. An order for nearly 100,000 tennis rackets was secured from the U.K.

The Company took the initiative of inviting a select number of potential overseas buyers to visit Dunlop factories in India, and, as a result, large export orders were booked.

In recognition of the Company's creditable achievements as an export house, Dunlop India has received a Certificate of Eligibility from the Government of India.

We are fully aware of our responsibility to help the country to increase its foreign exchange earnings. We are, therefore making increasing efforts to expand our exports.

Production

Although there were continuous power cuts throughout the year at the Sahaganj factory, production was higher than in 1972.

At the Ambattur factory, even though the severe power cuts in Tamil Nadu continued until the middle of July, the additional number of days worked during the year together with the full impact of the factory's expanded capacity partially offset the effect of power shortages during the first half of the year and output was considerably higher than in 1972.

At both factories, special emphasis was given to the production of those types of tyres in short supply, particularly truck and rear tractor tyres.

IN 1973

Personnel

Despite the difficult labour situation in the country, I am happy to report that since the reopening of the Ambattur factory on 29th January, 1973, industrial relations throughout the Company have remained satisfactory. The long-term agreements which govern the terms and conditions of employment of our unionised staff have gone a long way to maintain the stability in industrial relations in your Company.

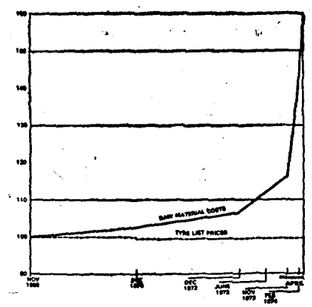
A tripartite settlement signed on 19th September, 1973, as a supplementary to the long-term agreement of 17th May, 1972, has resolved all outstanding issues at the Ambattur factory and, restored a proper climate for productivity.

I take this opportunity of expressing my appreciation of the commendable efforts made by the Company's employees during a difficult year, and conveying to all of them my sincere thanks.

Profit and Loss Account

Your Company is constantly endeavouring to improve profitability by maximising production and achieving all possible economies. In the case of purchasing, we were able to effect substantial economies by buying critical raw materials before the sharp price increases in the second half of 1973. On the operating side, in spite of rapid inflation, we have been able to contain cost increases to a reasonable level. One example is that, on an increased sales volume, transport and delivery expenses in 1973 were considerably lower than in the previous year. Furthermore, as a result of tighter controls, we were able to reduce our working capital, and interest charges were Rs 42 lakhs lower than in 1972.

It was these measures that contributed to the increase of Rs 2.52 crores in the profit before tax for 1973. However, the total pre-tax profit at 4.9% of turnover was not satisfactory. After maintaining the dividend at the same level of the last four years, we have only been able to transfer Rs 57.78 lakhs to Revenue Reserves, which is, of course, insufficient for continued development and growth of this Company.



Index of raw material costs and tyre prices.

COSTS AND SELLING PRICES

The decontrol of selling prices of automotive tyres and tubes is particularly welcome because, since November, 1968, selling prices have not been increased and, during this period, your Company has had to absorb the ever-increasing costs.

To give you an idea of the magnitude of these cost increases, our raw material costs of automotive tyres and tubes increased by 11.97% between November, 1968 and the end of June, 1973. Between July, 1973 and February, 1974, these costs have increased by a further 29.74%. Between February and the beginning of April, 1974, raw material costs have escalated by a further 17.14%, making a total of 58.85%.

I consider that the pragmatic decision by Government to decontrol automotive tyre and tube prices will provide the incentive for increased production. This decision will also help your Company to operate economically and to generate funds to finance the R & D programmes, to provide for modernisation and growth, and to give shareholders a reasonable return on their investment.

COLLABORATION AGREEMENTS

Two State Industrial Development Corporations, Andhra Pradesh and West Bengal, signed Technical Collaboration Agreements in November, 1973 with Dunlop Limited, U.K., and Dunlop India Limited for setting up automotive tyres and tubes factories in these two States. The Agreements have been approved in principle by the Central Government and we expect to sign detailed Agreements with the two Industrial Development Corporations in the near future.



Documents being exchanged after the signing of the technical collaboration agreement with the West Bengal Industrial Development Corporation Ltd.

Briefly, the Agreements conceive of Dunlop U.K. preparing and providing project data in the U.K. and continued technical assistance being provided by Dunlop U.K. and Dunlop India for a period of five years after the commencement of production.

A special feature of these Agreements is that part of the fees will be paid locally in Rupees, which will result in foreign exchange savings.

The Industrial Development Corporations are responsible for execution of the projects and both have expressed their desire to appoint Dunlop India as technical consultants in view of the unique expertise we have developed to undertake this work.

Dunlop India is proud to be associated with these projects, which will help to reduce the present tyre shortage, provide employment and give momentum to industrial growth.

We have also offered to supply know-how for scooter and cycle tyres and tubes to two small-scale manufacturers and Government's approval is awaited.

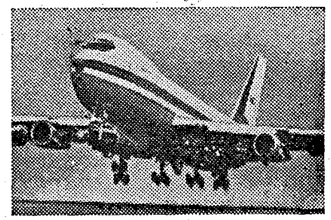
RESEARCH AND DEVELOPMENT

I mentioned last year our intention to establish an R & D unit for cycle tyres and tubes. During the year, we have enlarged our objective and now plan to establish an integrated R & D Centre at Sahaganj, covering our entire product range. Our intention is to consolidate all R & D efforts now spread around the organisation for better co-ordination and control, and thereby improve effectiveness of R & D expenditure. The new Dunlop Research Centre will also assist in providing technical facilities under agreements to other organisations.

The greatest benefit from this new Research Centre will be derived if it has access to the basic know-how already available and being continually developed by our associates, Dunlop U.K. in association with Pirelli, Italy. This know-how, developed at a very high cost, has been provided to us in the past against a nominal technical aid fee. I, however, regret to inform you that our discussions with Government for renewal of our Technical Aid Agreement with Dunlop U.K. have not yet been fruitful. I earnestly hope that it shall be possible to renew this Agreement in the near future in the interest of local technology keeping abreast of fast moving international technological developments.

FUTURE OUTLOOK

As I have mentioned earlier, the decontrol of automotive tyre and tube prices will help us to generate funds for modernisation and expansion. However, the cost increases that we have had to absorb, particularly over the last twelve months, and the production losses due to power shortages, have had a very adverse effect on our our internal cash generation. The credit control measures recently introduced by the Reserve Bank of India have further added to our financing problems. Consequently, this may necessitate a review of the implementation and timing of our expansion and modernisation projects.



A Jumbo jet fitted with Dunlop India tyres. Dunlop is the country's only manufacturer of aircraft tyres.

The Energy Crisis has also created serious problems for us. Many of our major raw materials, such as nylon tyre cord, carbon black, some synthetic rubbers and rubber chemicals, are derived from oil, and apart from the problems created by the increases in the cost of these raw materials, their availability in sufficient quantities is uncertain. We also face continuing power cuts, restricted supplies of furnace oil for the Ambattur factory and and problems in obtaining the required quality and quantity of coal for the Sahaganj factory. In addition, wood pulp for manufacturing rayon tyre cord may be in short supply in the second half of 1974. Nevertheless, I am confident that these problems will be overcome in the long term, and I view the future with optimism.

75 YEARS IN INDIA

In 1973, your Company completed 75 years. This is, therefore, an appropriate occasion to recall the achievements of your Company during these eventful years. The first pneumatic tyres to come to India were imported by Dunlop in 1898 and this event marked the beginning of a revolution in road transport. In 1936, your Company set up India's first automotive tyre factory at Sahaganj, West Bengal and thus enabled the country to take the first step towards self-sufficiency of a vital product.

Over the years, your Company has identified itself with the nation's aspirations, anticipated the country's needs and has very often been the first to manufacture new products such as aircraft tyres for the Indian Air Force, Air-India and Indian Airlines; tyres for Vijayanta tanks and other Defence vehicles; rubber conveyor belting for major projects; tractor tyres and hoses for agriculture; tyres for animal drawn vehicles and special tyres for export. Even today, Dunlop is the country's only manufacturer of aircraft tyres.

I can claim with pride that Dunlop has developed its manufacturing facilities and skills to meet the needs of the country often at high developmental costs. This policy of your Company has made a major contribution towards achieving the national objective of self-reliance and served the country well in war and peace.

Dunlop India is also at the forefront of the Tyre Industry's drive for exports. Over the last five years (1969-1973) we exported to nearly 100 countries including the U.S.A., the U.K. and the U.S.S.R. and earned Rs. 15.74 crores, which constituted a substantial part of the Industry's exports.

Looking from every point of view, Dunlop India can be proud of its pioneering role over the last 75 years.

On the threshold of the fourth quarter of a century, we look forward to making a still greater contribution towards the nation's transport, industry, agriculture, Defence and exports. At the same time, our own creative ability, strengthened and supported by the latest international technology, will ensure that India does not lag behind world standards.

The long record of Dunlop's service to India and its contribution towards technological development and self-reliance places the Company in a very special position and I hope that the recent restrictive provisions of the Foreign Exchange Regulation Act will not be allowed to affect the Company's operations and future development plans.

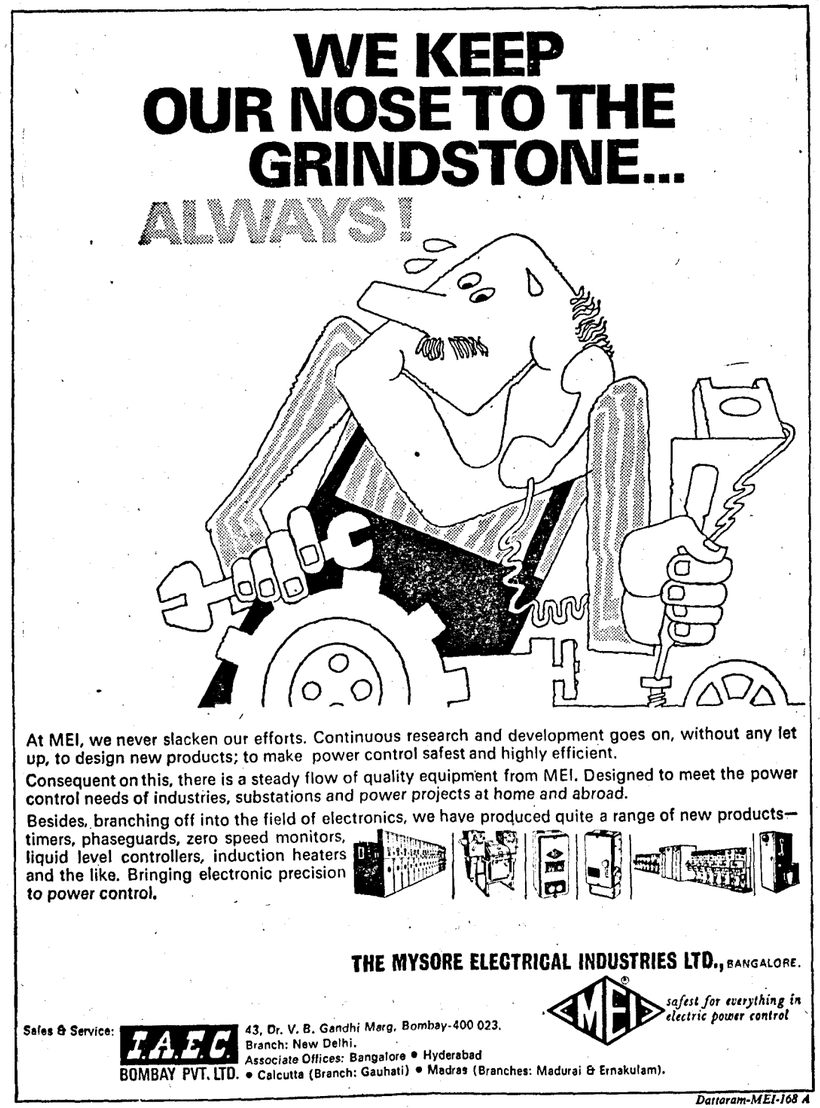
It is my sincere belief that in the years ahead Dunlop India will be allowed to play its part fully in meeting the country's increasing needs in many vital areas and thus contribute to national development.

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

J Stone

J STONE's new project, for manufacture of marine navigational aids, set up in Bombay last year, is progressing as planned. Manufacture for the large order for 18 major light stations, secured in 1971, is now in full swing and equipment is being delivered. The company executed last year an order from the Marmagoa port trust to supply buoys and lighting for a scheme for Marmagoa harbour. Also, contracts have been received for complete lighting schemes for the harbours at Visakapatnam and Paradeep. The company has obtained a 'letter of intent' for automatic door gear for rail and road vehicles and matters connected with development and manufacture of these items are also progressing satisfactorily. Sales in 1973 included some significant exports of railway equipment to West Germany, Burma and the UK which, it is hoped, will be the basis of a growing export programme in the future. Negotiations are at a fairly advanced stage covering an export contract of electrical equipment to Australia, which would give this programme a further impetus. The company has entered into a licence agreement with Westinghouse Air Brake of the US, under which it is manufacturing air brakes for locomotives and freight wagons. A first important order has been secured from the railways. This product is expected to become increasingly important.

The company has produced good results for 1973, with higher sales and margins. The recommended 15 per cent distribution is covered more than twofold. The comfortable actual and potential order position notwithstanding, the directors are reluctant to make any forecast for the current year owing to "the enormous dislocation to production" caused by the increasingly severe load shedding which is only partly mitigated by a standby generator recently installed. It is also stated that there has been a marked upward swing in prices of almost all raw materials and bought-out components owing to heavy excise and other increases since the last budget.



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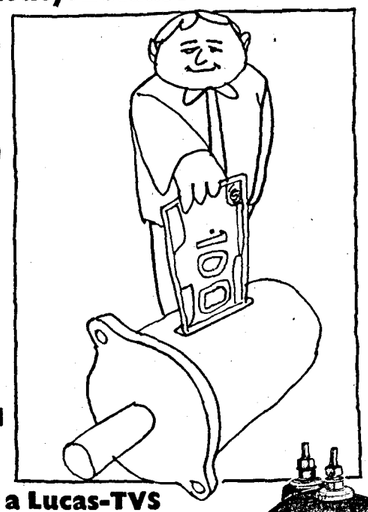
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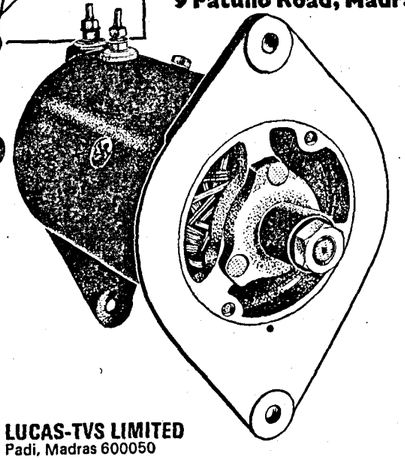
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ECONOMIC AND POLITICAL WEEKLY

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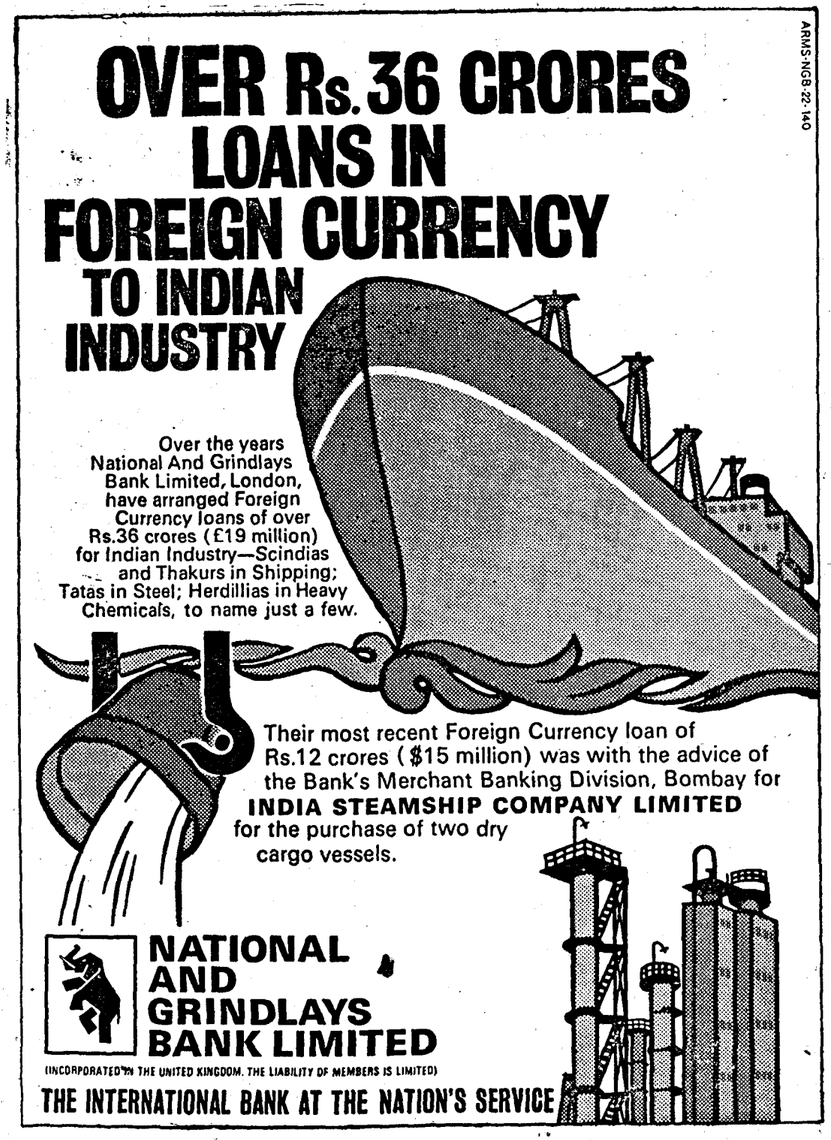
SOCIETY IN INDIA: CONTINUITY AND CHANGE

PERMANENT EXILES FROM POWER

TAX CONCESSIONS AND TAX EVASION

IF 1962 HAD NOT HAPPENED ...

GROWING POWER OF POLICE



ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol IX No 22 **June 1, 1974**

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The Dishonesty of It All

IT was a famous victory. The trade unions representing railway workers surrendered abjectly, without even face-saving concessions from the other side. The government can claim to have not only successfully resisted the railway workers' demands for bonus and for parity in wages with employees of other public sector undertakings but also made an example of railway workers to demonstrate to other public sector employees that it will stand no nonsense from them. Understandably, government spokesmen are gloating over the statistics of railway workers dismissed, suspended or made to suffer a break in service.

For all that, the government must know that this is hardly the end of the story, even in the railways. The subjugation of the railway workers — through the DIR, the MISA and police terror — may yet prove costly in terms of long-term industrial peace in the railways. There have been reports of spontaneous action by railway workers in many places protesting against the mass dismissal and suspension of their colleagues. The government must also know that given the steadily worsening economic situation — with a 30 per cent annual rate of inflation, with prices of the necessities of life going up even faster and with growing unemployment — labour, wherever it is organised enough, is bound to make desperate attempts to stem the erosion of its economic condition. It was railway workers yesterday; it may be bank employees tomorrow. Since it is plainly beyond the government's capabilities to rectify the economic situation, however marginally and slowly, the pattern set in the railway workers' strike of meeting workers' demands with brute repression will have to be extended to all these cases. And having set certain norms for dealing with labour in the public sector, the government will scarcely be in a position to resist the pressure of private sector employers that government quash trade union activity among their workers with equal toughness. After all, once the argument is advanced by the government that a rupee paid to labour is a rupee less for investment and growth, it applies as much to the private sector as to the public sector.

The sudden revival of the government's interest in a national wage policy has to be seen in this context of the prospect of a developing confrontation with industrial labour. The Political Affairs Committee of the Union Cabinet, meeting on Thursday, is reported to have considered the adoption of a resolution on wage policy and the setting up of a national wage board. In ideal circumstances, a wages and incomes policy is a vital component of economic planning. Regulating the relative and absolute growth of incomes is important not only from the standpoint of equity but also from that of raising the levels of saving and determining the pattern of investment and output. What makes the government's current espousal of the cause of a wage policy so totally lacking in credibility is that it comes at a time when the government has virtually abandoned economic planning. Even the pretence of revising the Draft Fifth Plan with a view to preparing a final version of the Plan has been given up.

Indeed the government's dishonesty in talking of a national wage policy could not have been more transparent than it is at the present moment. There is enough circumstantial evidence to suggest that the distribution of incomes has become even more skewed in the last two years or so. What is more, this has not been the doing of some invisible hand but the outcome of the deliberate policies and actions of the government. The richer sections of the population have prospered even as the spiralling inflation has pushed down the real earnings of the workers and the poor.

Successive and large increases in procurement prices of foodgrains have yielded solid gains for the rich farmers. The uncontrolled rise in prices of practically all agricultural commodities have similarly brought undreamt of bonanzas to surplus farmers and traders alike. The opportunities thrown open for stock-building, with credit obligingly provided by the supposedly nationalised commercial banks, and for creating artificial shortages of a wide range of industrial raw materials and finished products — e g, cotton, cement, paper, fertilisers — have enabled manufacturers and traders to make super profits, most of it black and tax-free. Nor has the government neglected the upper reaches of the salary-earning population. The chopping and changing of salary-scales under the pretext of implementing the Pay Commission's recommendations have brought sumptuous dividends to middle-level and senior government bureaucrats and has almost certainly widened income differentials within the bureaucracy. Similarly, the University Grants Commission has recently announced handsome salary increases to teachers in the so-called Central

Universities which, as has been pointed out in these columns, have made the salary structure in the teaching profession decidedly more inequitous. The biggest bounty to the salaried rich has, however, come in the form of the reduction in income-tax rates announced in this year's budget in the name of curbing tax evasion. The tax concessions have meant a straight increase of Rs 50 to over Rs 150 in the monthly post-tax incomes of middle and upper level government officials. The benefit to the higher bureaucracy in the private sector is, of course, much more than even that.

The pampering of the rich by the government has not had even the saving grace claimed for it in conventional economics — that of raising saving and investment in the economy. The ten-year old stagnation of investment levels stubbornly persists. In fact, investment in the public sector has recently suffered a further setback. And little worthwhile private investment has gone into industries like cement, paper and fertilisers. The growth in the incomes of the rich has resulted only in rendering more difficult the task of regulation of the economy because of the proliferation of black money and in further distorting the pattern of investment in favour of articles of upper class consumption.

The current talk of a national wage policy is plainly intended to provide a respectable cover for the government's policies of creating the conditions for the rich to multiply their incomes while cracking down on industrial workers and the like. It was wholly appropriate, therefore, that the report of the Political Affairs Committee's discussions on the need for a national wage policy appeared in the newspapers together with a report that the government had decided to raise the ceiling for government on expenditure on "superior furniture, furnishings and electrical appliances" at the residences of the judges of the Supreme Court. This had been considered necessary, it was stated, because "the judges of the highest court in the land should be provided with amenities commensurate with their status". The government will now spend Rs 38,500 and Rs 30,000 on furnishing and equipping the houses of the Chief Justice and the other judges, respectively, of the Supreme Court — or roughly what the low-paid majority of the supposedly rapacious railway workers earn in a third of their entire working lives!

Police

Growing Power

THE most notable feature of the railway workers' strike was the completely free hand given to the police to break the strike. The way for this was cleared by declaring the strike illegal under the DIR, following which even passive participation in the strike became a crime punishable with arrest and imprisonment. After this, the police had a field day, conducting itself as if it were dealing not with workers on strike but with gangs of hardened criminals. The mass arrests under DIR and MISA as well as the Criminal Procedure Code and the terrorisation of railway workers and their families have been commented on in these columns. There have been reports, especially from the eastern part of the country, of cases of the railway workers' womenfolk being raped by policemen. It is idle to expect that even the gravest of such charges against the police will be looked into and those found guilty punished. First, the government's instructions to the police were plainly to strike terror among the railway workers; after that the government is scarcely likely to make too fine a point of the precise methods employed by the police. Second, even if there are any in the government with enough scruples left in such matters, they will find themselves powerless to act against the police. Such is the power and status that the police, including the numerous paramilitary forces, have acquired today.

Reflecting this power and status is the recent appointment of the just-retired Director-General of the Border Security Force (BSF), K F Rustomji, as Special Secretary in the Ministry of Home Affairs. Rustomji's is the second instance of a police official being raised to the highest post in the bureaucracy — the first being the appointment of the head of that elite intelligence organisation, the Research and Analysis Wing (RAW), as Secretary of the Department of National Security in the Cabinet Secretariat. Though Rustomji will be nominally within the Home Ministry, the real purpose of his appointment is evidently to place all the police and para-military forces under a single command outside the control of the Home Secretary. It may be presumed that as in the case of the head of RAW, Rustomji will in fact report directly to the Prime Minister. Thus the move also marks a further step in the Prime Minister's attempt to bring the intelligence and police services under her direct control.

The growing power and status of the police is to be seen in the proliferation of posts of Commissioners of Police who are outside the control of the civilian authority represented by the District Magistrate. Unlike the situation till even a few years ago most of the larger cities now have Commissioners of Police. The control of the District Magistrates over even the District Superintendents of Police has been substantially eroded. The confidential reports of the DSPs are now no more written by the District Magistrates; this power has passed to the DIGs of police.

It is not generally known that at over 800,000, the total strength of the police and the para-military forces is almost equal to that of the country's regular armed forces. The functions that are performed by many of these forces today bear no relationship to the purposes for which they were originally created. The outstanding case is that of the BSF. As its name suggests, the BSF was conceived of as a cheaper alternative to the army for routine patrolling of the country's borders. Actually the BSF has been increasingly used for so-called maintenance of law and order within the country. Thus the Home Ministry's latest annual report for 1973-74 mentions that during the year the BSF was used for "maintenance of internal security" in as many as 13 states, all the way from Meghalaya to Andhra Pradesh, and two Union Territories. Recognising the fact that such activities have become a part of the permanent avocation of the BSF, the Home Ministry's report discloses that attempts are being made to "broad-base the training of the BSF personnel". Maintenance of internal security is a euphemism, accepted the world over for keeping the ruling party or group in power; in the years to come the BSF may be expected to play an increasingly important role in this area. And towards that end the strength of the BSF is being increased and it has been equipped with sophisticated arms and equipment and even aircraft.

Organised industrial labour is one of the sources from which the government apparently anticipates threats to "internal security". To keep labour in the public sector undertakings on a tight leash the government some years ago created the Central Industrial Security Force which today has a sanctioned strength of over 17,000.

And just this week the West Bengal Chief Minister, Siddhartha Shankar Ray, has announced that a new armed police battalion is to be raised for service in the coal mines of the state. The battalion would be under the control of the West Bengal government with an Inspector-General of Police in command. According to Siddhartha Ray, the Central government has undertaken to meet the cost of raising and maintaining the battalion. It is clear that the Centre, which is seldom so generous when faced with requests for a little more money for primary education or for rural health services has got it priorities right!

Bhutan

External Insurance?

Brahmanand Mishra writes:

BEHIND the extravaganza and ritual of the coronation, Bhutan's royal regime is attempting to widen its contacts beyond India which has for decades been its patron-in-chief. Although Bhutan acquired sovereign status with its entry into the UN on September 21, 1971, its foreign policy has till lately been guided by New Delhi.

Over the past year, however Bhutan and China have been quietly making contacts with each other. In traditional style, a Bhutanese table-tennis team visited Peking some months ago and shook hands with Mao Tse-tung. Soon after, a two-man official delegation also visited China and came back with reports of the friendly Chinese attitude towards the King and people of Bhutan. These visits seem to have caused some raised eyebrows in South Block. Bhutan's foreign Minister, Daba Tsering is reported to have made some general statements like Bhutan and China have always had goodwill for each other" and "common courtesies are observed between the two countries".

The increasing goodwill between Bhutan and China was one of the reasons for Swaran Singh's trip to Thimpu, Bhutan's capital, last February. Daba Tsering humoured India by announcing that the Himalayan kingdom had "no intention to establish diplomatic relations with any country other than India and Bangladesh in the foreseeable future". India, in turn, agreed 'in principle' to cooperate with Bhutan in the construction of the Rs 80 crore Chukkha hydro-electric project and the possibility of a cement factory and a paper plant was also discussed.

But these affirmations of indo-Bhutanese friendship did not wean Thimpu away from widening its external relations. China was invited to send an official representative to the coronation on June 2 despite New Delhi's tacit disapproval. It is quite apparent that the regime in Thimpu does not wish to be dependent solely on New Delhi, particularly in case of any internal troubles directed against it. The political demise of the Chogyal of Sikkim last year was perhaps an eye-opener for the royals in Bhutan.

European Communists

Permanent Exiles from Power

THE Left in France could not make it; it could not pierce the Great Divide. By a minuscle 1.4 per cent plurality Valery Giscard d'Estaing, the candidate of the Right, squeaked past Francois Mitterand, the candidate jointly put up by the Communist and Socialist parties, in the Presidental run-off on May 19. For the Communists, who continue to be the best organised political force in the country, to be denied, this narrowly, the fruits of victory must indeed be galling. Never before in the post-World War II has the Left been able to amass so many popular votes in an election; yet, it failed to clinch it. Ever since Maurice Thorez was hounded out of government in early 1947, the Communists have been excluded from power in France, and the situation is thus likely to remain unaltered. And this despite the fact that they have been more or less on their best behaviour from the day of Nikita Khrushchev's famous speech at the Twentieth Congress.

Various permutations and combinations of political alliances have been tried by the Communists in order to make a breakthrough into bourgeois respectability, and to live down the sneer that they do not belong to the Left, but to the East. Apparently nothing has worked; the suspicion of the basically conservative majority sections of the French electorate about, Communist participation in government stays intact.

As in France, so in Italy. It was a touch and go election in 1948 when de Gasperi and the Christian Democrats barely manage to vanquish Palmiro Togliatti and his Socialist allies. Through the next quarter of a century, the Communists have been able to hold on to their strength, but not once have they been allowed even to approach the threshold of power. Meanwhile, the Socialists have moved out of their understanding with the Communists, split, re-united, joined the Christian Democrats in Government, moved back again into opposition. These turns and twists have passed the Communists by: as far as they are concerned, they have remained — in Italy as much as in France — the permanent exiles from power: they have belonged to their respective nations, but their claim to belong has not been recognised.

And now that the attempt *via* Francois Metterand's candidacy too has failed, notwithstanding the fact that, following Pompidou's death, the Right was in virtual disarray in France, providing the Left with the greatest opportunity it had ever come across. It seems that however hard the Communists try, the prize of being installed in power through democratic elections will always be denied to them. One can only speculate on the reasons. This could be because of revulsion for the modalities of life ushered in by the Communist establishment in East Europe, or because of the increasing embourgeoisement of life and living in the West, or on account of what NATO and all that it implies have done to the psyche of the solid mass of the middle class electorate in countries such as France and Italy. In other seasons, they will quarrel among themselves, their bickerings will keep making the headlines, but the natural majority of the electorate, who are conservatively inclined, will unite the moment the danger lurks of a Communist penetration into the seat of power. When the crunch comes, even were the Left to offer a united battle, as it did in last month's election in France, that crucial segment of the electorate at the margin, whose support would be necessary to put the Left over, would evidently hold back.

A matter of considerable irony, in the same month of May, the Communists have found themselves suddenly installed in power in, of all countries, Portugal, and through the courtesy of a *coup d'etat* engineered by an army general. This has been more in the nature of an arrangement of convenience. General Spinola is desperately anxious for a broad phalanx of support on the home front which could enable him to take bold decisions with respect to the colonies in Africa. His calculations must be two-fold: softening the hostility of the African insurgents by embellishing the image of his Government through the induction of Communists, and leaning upon whatever quantum of popular support the Com-

munists would at the moment be able to drum up, in case he has to take some unpalatable decisions — such as granting effective independence to the people of Angola, Mozambique and Guinea Bissau. Once they have served the purpose, it is indeed possible that, even in Portugal, the Communists would discover that they are overstaying their hospitality in Government and would be unceremoniously booted out, as they were in France 27 years ago.

Could it be that underlying this destiny which stalks the West European Communists is the curse of welfarism, through which a modern state can persuade a crucial segment of the population to keep always on this side of a cataclysm? However assiduously the communists might try, they might therefore find that in a situation where standards of living are continually going up at a comfortable pace, inertia enters the soul and even those who potentially ought to be their comrades deny them the much-needed vote. There is perhaps a lesson in this for those who would like to stick to the straight and narrow parliamentary path. One is however not at all sure that the interpretation of the lesson will be the same for all parties.

The Economy

If 1962 Had Not Happened ...

A Correspondent writes:

THE nuclear test is a great obfuscator; nonetheless certain facts cry out to be put across. The explosion has scarcely been able to assuage the grim economic realities. And as one looks back, it is easy to see how much the economic fortunes of the nation were affected by the events of the last quarter of 1962. In many respects, that year represented a watershed: the watershed between relative political stability and recurrent political tension, between the achievement of a fairly satisfactory rate of growth and economic stagnation, between monetary stability and runaway prices, between a general feeling of self-assurance and pervading defeatism. From 1962, in fact, the pattern has been one of sliding downhill in a monotonic function.

The successful test in Rajasthan notwithstanding, the difficulties, on the economic as much as on the political fronts, are bound to persist. Pressure groups have scented success and they will not let go. The authorities are either sadly mistaken or are deliberately misleading others when they try to give out that hustlers abound only among species such as railway employees. The major pressure groups are elsewhere — among the kulaks concentrated in the wheat-belt in the north-west, among the traders, within the portals of chambers of industry and commerce, among those who, taking the Prime Minister for a ride while the going is good, sell the notion that there could be no economic salvation without massive external assistance. An administration which has lost all confidence in itself is easy to be bullied.

All this however takes us back to 1962 and to the McMahon Line, Ladakh, Nathu La, *et al.* The government, for the first time since Independence, lost its cool on account of the events of 1962. And the events of 1962 could be traced back to the events in Tibet in 1959. If the government of the People's Republic of China did not feel it necessary to close in on the Dalai Lama, and the latter did not consider it prudent to escape along the Brahmaputra route down to India, perhaps 1962 would have been a non-event for India. Therein lies a particular irony of history. The people of this country, it will be told, were emotionally aroused as never before by the atrocities perpetrated on the peace-loving occupants of the Buddhist monasteries in Tibet — it would have been against the tenets of Indian civilisation and Indian values not to lodge a strident protest with the Chinese against these atrocities, or not to accord open asylum to the Dalai Lama and his entourage. But, cannot one ask at this distance, how much did we really know? How much information did we ever have on the alleged torture perpetrated by the communists on the Tibetan people, or on the extent of provocation offered by those who controlled the monasteries? On the other hand, how much first hand, or even secondary, knowledge did we have regarding the kind of exploitation of the poor and the weak which, over the decades had been indulged in by those incarnations of the Buddha? How much were we aware of the excesses and orgies which went on behind the facade of spiritual benediction? Suppose in one corner of India, a set of monks decided to challenge the political authority of New Delhi, how much tolerance would have been shown to them? How much tolerance, for example, was shown, some years ago, to the Mohant of the Goraknath temple at Gorakhpur, or, for that matter, to the determined group of people who captured the decision-making authority of the Golden Temple in Amritsar?

These questions have become relevant once more, since the Central Intelligence Agency of the United States has now come round to confessing implicitly that much of the trouble in Tibet, in 1959 and subsequently, was its doing. It has also been benign enough to admit, again tacitly, that quite a number of the incidents along the China-India border, culminating in the final clash of the two armeis in 1962, were the contribution of *agents provocateurs* planted by it. It would thus indeed seem that the government and the people of India were led up by the Ladakh path as much by a genuinely felt emotion for the suffering masses of Tibet as by the deliberate acts of subversion and subterfuge planned and executed by the CIA. It was neither China's India war, nor India's China war, but the CIA's India-China war. Those who are at present going to town with advertisements about the danger within were then all worked up over the danger from outside: but they had not a clue about the true identity of the external enemy.

If 1962 had not happened, perhaps there would have been no occasion for rudely interrupting the strategy of economic growth initiated way back in 1956. If 1962 had not happened, there would perhaps have been no occasion either to divert each year as much as three per cent of national income additionally for defence, and therefore that much more could have been available for investment in growth. If there were no 1962, perhaps there would have been no occasion for selling out to the American agricultural advisers, which has cost us an irretrievably lost decade, in the course of which the rate of growth of farm output has actually fallen to half of what it was in the previous decade. In case there were no 1962, who knows, perhaps the hucksters who have now taken over the reigns of administration, would have continued to be in the mute background.

But, it may be asked, was not 1962 more than compensated for by the glory of 1971, by that famous victory in Bangladesh? Unfortunately, it was not. A passing phase of euphoria was certainly ushered in, but that Indian summer was altogether too brief. Some would go even further and suggest that perhaps Bangladesh was a tragedy whose dimension was about equal to that of 1962. Bangladesh went to a few people's head, and that was that. The surrender of Generals Niazi and Farman Ali was a low-cost victory; through an odd causation, it was assumed that managing the economy could be made an equally effortless, painless venture. Economic development was accordingly made a function of manipulative politics. It is perhaps largely because, during the past two years, the glory of Bangladesh was considered substantive enough to take care of all the follies committed subsequent to 1962 that we have now arrived where we have: *sans* a code of principles, *sans* policy, *sans* integrity, *sans* even an ordinary roster of decency. What greater irony could then be than the possibility that each of these, once you track it down to its source, is on account of the meanderings of the Central Intelligence Agency? The Agency could not do any harm at all to that erstwhile enemy, China, but certainly succeeded beyond expectations, to turn however unintentionally, the once comfortably placed India into a shabby, amoral, panhandling wretch of a nation.

CAPITAL VIEW

The Bullock-Cart and the Bomb

Romesh Thapar

I AM beginning to realise why India is the natural habitat for the astrologer and the soothsayer. Two years ago, the 'Indira Wave' was sweeping all before it. Two weeks ago, the Congress party and its leader were on the brink of collapse. And now with the rail strike broken and a nuclear device exploded in the most sophisticated manner, the Prime Minister is again in command. There may not be an 'Indira Wave' because empty stomachs cannot generate the necessary energy, but at least the lady at 1 Safdarjang can rightfully claim that she is again in a position to ride the waves, as it were

Of course, these situations were not sparked by the inexorable movement of the planets. They were largely moulded by the stupidities of the Congress party, its political opponents and by natural forces which create surpluses and shortages in food. The current crisis, into which the organised working class has been manoeuvred by an incredibly adventurist and opportunist Left leadership, gives Indira Gandhi and her colleagues the kind of opportunity which seldom comes to discredited politicians. Once again, the initiative has passed decisively to the ruling party.

What will Indira Gandhi do with this opportunity (I will not say, 'the last', because she seems to get more than her fair share)? Will she let the old bullock-cart jog along even as a series of nuclear tests are carried out? Should we expect a surge of chauvinism and a nationalistic euphoria to cover the ascendancy of private capital and multinational corporations? Or do we move to restructure our decision-making system and our society in meaningful, egalitarian ways recognising that nuclear status gives us the international prestige and the national will to experiment boldly with a life style which restores dignity and faith to our people? Yes, what the Chinese have been doing in their very special authoritarian manner.

What a splendidly organised operation this nuclear detonation was, right from the secrecy of the preparations to the low-key pronouncements following the event. The scientists and technicians involved have lived up to the traditions set by Homi Bhabha, traditions which fortunately were not eroded by an unthinking bureaucracy. However, a great deal of follow-up is needed if we are to project an accurate idea of what we intend to do with the power this new technology places in our hands

It was Jawaharlal Nehru's firm conviction that the only way for India to make up the leeway of centuries was to find the short-cuts hidden in the enveloping revolution of science and technology — and to use them creatively in the interests of the people's life and progress. We have certainly produced the cheapest — and cleanest, by the looks of it — nuclear detonation. It remains to be seen whether our thinking is keeping pace with our social objectives. Are we going to utilise these test explosions for economically beneficial ends? Where are the Nehrus and the Bhabhas?

Indira Gandhi has yet to show signs that she has shaken herself out of the lethargy of the last two years. It is not enough to break a trade union attempt to paralyse the productivity of the economy, or to trigger the ultimate weapon which wins big power status. The internal health of the subcontinent could not be worse. We continue to teeter from crisis to crisis. This is not something unique but it is about time the politicians began to discipline this exhausting and nerve-shattering state of affairs, heightened today by runaway inflation. The political, economic and administrative system, at whatever level you look at it, is not working. It has to. Otherwise, all the talk in the world is meaningless.

Will Indira Gandhi apply her mind to the details of this mundane, dull and dreary business? Or will she establish a task force of both experienced and motivated persons to begin the restructuring of the system of decision-making and implementation, step by step, day by day, order by order? The job has to be done before this year is out. It is the key to future achievement. Or we will remain the dung heap we are in comparison to the world, and now, maybe, radioactive? The sooner this effort begins, the better. The cranks are already seeing Bharat as a nuclear power.

The reaction of the white world, even the sophisticated section of it, is true to type. There is horror at the prospect of the naked and the hungry getting at technologies which can topple their many myths of superiority. Significantly, we receive lectures only from those who are overwhelmingly nuclear. Aiding operations are threatened with closure because the falsehood is spread that it is the foreign aid we have misused. Maybe, the Canadians could be confused, but no one else. The howl will last for some weeks, and then it will settle because living with reality is one of the fall-outs of the revolution of science and technology. Let us be patient, and largely silent. Two much petulance at this point would be naive and undignified.

I have been moving around over the past fortnight. It is incredible what a mess the world is in. We need to take a hold of ourselves and work out a hard-headed, hard-knuckled plan for the future. It will not be found in the text-books.

May 27

Calcutta Diary

A M

MEET Kamal Bose, son of late Surendra Nath Bose of 11 Surya Kumar Chatterjee Street, Calcutta; occupation: social service worker at Chittaranjan Cancer Hospital, 37 Syamaprasad Mookerjee Road, Calcutta; drawing a sum of Rs 343 and 55 paise only per month as salary and allowances; a citizen of India, head of household consisting of himself, his wife, and a child of two years.

Till the morning of January 8, 1973, Bose was a run-of-the-mill citizen, never having had any brush with the forces of law and order; no warrant of arrest had ever been lodged against him, nor had he ever been interrogated or interviewed by the police in connection with any case whatever. Things however changed from that fateful morning, Kamal Bose lost his liberty: he was arrested in connection with two criminal cases, Case No T/454/72, dated October 19, 1972, and Case No T5/73, dated January 7, 1973, and both filed by the officer-in-charge of the Bhowanipore Police Station at Calcutta. Bose was duly produced before a magistrate, who granted him bail in both the cases. Bose, however, stayed where he was — namely, in prison — for, even as the bonds for the bail were being posted, the Tollygunge Police Station moved in with two further criminal cases against him: Case No U/C 647, dated October 19, 1972 and Case No U/C 650, dated October 20, 1972. Again, a petition for bail was moved before a magistrate; once more, bail was granted. After the fresh bail bonds were furnished, camaraderie among the police being what it is, it was time for the Narkeldanga Police Station to move in: Bose was taken into custody at the behest of the officer-in-charge of the latter Police Station, under order number PSP (3)-257, dated January 24, 1972.

The assorted calumnies spread by the enemies of democracy notwithstanding, the wheels of justice continue to move inexorably in our country. Since no evidence could be adduced by the hard-working policemen of the three aforementioned Police Stations, that is, Bhowanipore (located in Calcutta's south-central region), Tollygunge (location: city south), and Narkeldanga (location: city north-east), Kamal Bose was discharged in each of the five cases till then registered against him. But Bose could not be released from custody, for the Commissioner of Police, Calcutta, decided to exercise his discretion: by an order number 49(M), dated February 24, 1973, "with a view to preventing him [Bose] from acting in any manner prejudicial to the maintenance of public order", and in exercise of the powers conferred by Sub-section (1) (a) (ii) read with Sub-section (2) of Section 3 and Section 17A of the Maintenance of Internal Security Act, 1971 (Act 26, 1971), the Commissioner directed that Bose remain in detention. In terms of Sub-section (3) of Section 3 of the Act, the Governor of West Bengal approved the Commissioner's order through a subsequent order issued by the State Government's Home Department, Special Section (No 2803 HS, dated March 7, 1973).

A writ of *habeas corpus* under Article 226 of the country's Constitution was moved on Bose's behalf before the Hon'ble Shri Sankar Prasad Mitra, Chief Justice, and His Companion Justices of the Hon'ble High Court at Calcutta, Extraordinary Original Criminal Jurisdiction. While the *habeas corpus* application was pending, on the principle of 'the more the merrier' Calcutta Police produced Bose before the city's Additional Chief Presidency Magistrate and thumped down yet another case against him: No A119, dated March 15, 1972. Kamal Bose was granted bail in this case too; but since he was being detained under the MISA, there was no question of his availing the order of bail issued by the ACPM: he continued to languish in Calcutta's elite prison, the Presidency Jail.

On April 19, 1973, the country's Supreme Court threw a spanner in the works. While delivering judgment in the case of Sambhu Nath Sarkar *vs* the State of West Bengal and others, it struck down Section 17A of the MISA as being violative of Article 22 (7) (a) of the Constitution. On May 18, 1973, the Hon'ble Shri Justices S K Bhattacharyya and S Basu of the High Court at Calcutta, responding to an application from Bose, ordered the Commissioner of Police, Calcutta, the Superintendent, Presidency Jail, Calcutta, the Assistant Secretary, Home (Special) Department, Government of West Bengal and the State of West Bengal through the Secretary, Home Department, to set him at liberty 'forthwith' in view of the Supreme Court's decision. The Hon'ble Justices instructed that their order be communicated to the Superintendent, Presidency Jail that same day by special messenger. The messenger arrived at the jail gate along with the order at 5.10 p m; but Kamal Bose was not to be released: the High Court's order could not be complied with on that day: it was blandly explained that Bose had already been sent to the lock-up for the night.

Dawned May 19, 1973. Bose was taken out of Presidency Jail by the police, thrust into a waiting Black Maria and despatched to the office of the Special Branch at Lord Sinha Road. Bose's counsel tried hard to locate his client's whereabouts; he was ultimately informed by the police about what had transpired. Like the cat, the MISA too had nine lives: Section 17 (a) was struck down by the Supreme Court, but Section 3 remained intact, and Bose had been re-arrested under the latter Section of the Act.

The police wanted to be even more thorough. These were uncertain times, you never know with wayward judges, and Section 3 of MISA was obviously not considered sufficient. So, on this occasion, the Beliaghata Police Station (city east) was pressed into service: an order of arrest was served on Bose by the officer-in-charge of this Station under Case No PI/47, dated March 5, 1972. The Special Branch transferred Bose to the custody of the good and honourable custodians of law and order at Beliaghata. Bose's wife, Dolly, thought it would be rude not to match the police in tenacity: she, therefore, kept trying. She arranged for a bail petition to be moved on behalf of her husband in the Beliaghata case too. Once more, bail was granted, at Rs 1,000, by a magistrate. But, as you must have guessed by now, the moment the bail bond was furnished on July 19, 1973, Kamal Bose was re-arrested in connection with another case. This time, the charge was registered by the Karaya Police Station (city east-centre), Case No Y113, dated June 29, 1972, under Section 148/149/307 of the IPC read with Section 27 of the Arms Act. A move deserved to be answered by a counter-move. On July 21, 1973, Bose was produced at the court of the District and Sessions Judge at Alipore in connection with the case lodged by the Karaya Police Station, and an application for bail was moved for the umpteenth time. To the frustration of the Police, he was again granted bail, once more for the identical sum of Rs 1,000. As Dolly moved about to arrange the bail bonds, she and Bose's lawyers could overhear the minions of the police openly discussing what would be the implications of furnishing the bail bonds. The suggestion was put across in a very friendly, informal manner: what, after all, was the point of elongating the suspense? Didn't Kamal and Dolly and Kamal's lawyers realise that the moment the bail bonds were furnished, he was going to be re-arrested in connection with some other case or cases? Why could not he and they therefore, give up the ghost?

The pursuit of justice in this great land of ours is not only tiring, it is also an expensive process. Dolly saw the futility of it all; she and her lawyers relented, and the police heaved a sigh of relief. Bose went back to Presidency Jail, resigned to the fate of indefinite incarceration. The nation's Constitution, he had learned meanwhile, has many nuances: since what its Articles 19 and 20 give are taken away by Articles 352, 358 and 359, it needs quite an effort to stay at liberty. All Bose was able to achieve through six months' of sustained effort on the part of his wife and lawyers was a continuous shuffling between one Police Station and another and further on to the next one; to be confronted with nearly a dozen criminal cases in succession; to be granted bail in each of these: to be also discharged in each of these; once the police and the government had decided that he must stay in, he must stay in.

There the matter rested — until the introduction of Section 438 in the Code of Criminal Procedure in 1973. Under this Section, it is now possible for a citizen to move a High Court or even a district court for anticipatory bail. Hope springs eternal in human breast. Dolly Bose, on behalf of her husband, therefore arranged to move a petition on May 13, 1974 before the Hon'ble Shri Sankar Prasad Mitra, Chief Justice, and his, Companion Justices at Hon'ble High Court of Calcutta, Criminal Miscellaneous Jurisdiction, in which the State of West Bengal, the Assistant Secretary, Home (Special) Department, Government of West Bengal, the Commissioner of Police, Calcutta, and the Inspector-General of Police, West Bengal were cited as respondents. The facts narrated in the preceding paragraphs were placed before the Court along with the plea that the police were acting in a *malafide* manner and that they appeared to be determined to keep Bose in custody without trial as long as they could. The entire purpose of the police and the other respondents, the petition claimed, was to implicate the petitioner in case after case so as to thwart the orders of the various Courts for bail or for release. The *modus operandi*, it was explained, was to follow the sequential process: to disclose a case and implicate the petitioner in it only *after* bail had been granted in a previous case. He had reasons to believe, Bose maintained, that as soon as he furnished the bail bond in the Karaya Police Station case — till then the last one against him in the very long series —, he would be re-arrested on the accusation of having committed some other offence or offences; in the circumstances, he prayed that the Hon'ble Court might direct that, in the event of such re-arrest, he shall be released on bail.

The petition was heard by Hon'ble Justices N C Talukdar and A N Banerjee. After listening to the saga of arrests and re-arrests and re-re-arrests, the Hon'ble Justices suggested to counsel that maybe Bose should try it out at least once more: since what the justices were saying were within the earshot of the representatives of the police, Bose could perhaps come back to the High Court after giving himself — and the police — another chance.

Kamal Bose and his counsel respectfully heeded the suggestion of the Hon'ble Court. The bail granted by the magistrate in the Karaya Police Station case in July 1973 was availed of on May 14, 1974. Bose walked out of prison, a free man for the first time in sixteen months. The police, perhaps still cogitating over the import of what the Hon'ble Justices had said, let him go.

Thus ends, for the present, the story of the Emancipation of Kamal Bose. But you never know. Life and living have become extremely chancy under this Constitution, which we, the people of India — having solemnly resolved to constitute ourselves into a Sovereign Democratic Republic and to secure to all our citizens Justice, social, economic and political; Liberty of thought, expression, belief, faith and worship; Equality of status and opportunity; and Fraternity assuring the dignity of the individual and the unity of the Nation — adopted, enacted and gave to ourselves in our Constituent Assembly on the twenty-sixth day of November 1949.

As this piece is being written, Kamal Bose is still at liberty, but Dolly remains a much worried woman. In this great Republic of ours, by the time the piece arrives in Bombay for being printed in these columns, her husband may once more be gathered in. Whether the charge this time will be under Section 302 or 304 or 476 of the CPC, she does not know: whether it will be lodged by the officer-in-charge of the Cossipore Police Station or Burrabazar Police Station or the Muchipara Police Station, she does not know. Dolly Bose has never read Franz Kafka, but she and her husband, between them, can now furnish enough material for works that could put Kafka into shade.

Those wanting to stay out of prison in this country should beware. Liberty is not your birthright, nor your constitutional right. It is what your government and the police might occasionally like to bestow upon you.

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

Government to the Rescue

Hansavivek

HYDERABAD ALLWYN is to be converted into a government company. The directors had stated last year that it had become a government company, but the Company Law Board decided that the value of forfeited shares did not entitle it to be so treated. The government of Andhra Pradesh has agreed to conversion of Rs 40 lakhs out of the Rs 76 lakhs due to it towards sales-tax arrears and loans into preference capital and also agreed to invest the balance payable to it in the preference capital of the company, subject to clearance by the Controller of Capital Issues. The state government has also shown its willingness to acquire, in case of need, some more equity shares.

Due to accumulated losses, the company has been suffering from want of working capital. Last year it paid as much as Rs 57 lakhs by way of interest, which made considerable inroads into the operating surplus.

The company has applied for a licence for expansion of manufacturing capacity of refrigerators to one lakh units a year. Last year the company produced 33,779 refrigerators. The present installed capacity is 60,000, while the licensed capacity on single-shift basis is only 30,000. A new 380 litres capacity model with two doors and double temperature has been introduced and has been well received in the market. Some other models of refrigerators, deep freezers, washing machines and cooking ranges are proposed to be introduced in the near future. The company has entered into a technical collaboratron agreement with Scooters India, a public-sector undertaking, for manufacture of scooters. Transfer of the 'letter of intent' from APIDC, the original recepient, to the company is awaited. Allwyn exported 5,000 refrigerators to Poland and has been approached by importers for supply of another 10,000 to 15,000. If this deal goes through, the company will not only become a major exporters of refrigerators in the country, but will also be able to consolidate its position in the home market by improving its brand image.

The directors say that there is continuing improvement in production and sales in the current year. They have budgeted for a production of the value of Rs 9 crores. Sales of refrigerators have picked up and the company has also sufficient orders for chassis in the bus body division. In the first quarter of the current year, the company is reported to have made a profit of about Rs 10 lakhs. "If all goes as planned, the company hopes to make a very good profit for the current year and wipe out all the accumulated losses", it is claimed.

The Week's Companies

(Rs in Lakhs)

	Hyderabad Allwyn		Dunlop India		Swan Mills	
	Latest Year 31-7-73	Last Year 30-4-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up capital	124	124	1170	1070	80	80
Reserves	11	14	1509	1338	142	129
Borrowings	423	383	250	618	224	230
of which Term borrowings	12	5	250	397	48	28
Gross fixed assets	289	288	3408	3284	444	418
Net fixed assets	130	129	1752	1813	170	150
Investments	—	4	21	18	1	1
Current liabilities	189	178	2359	1931	111	98
Current assets	558	511	3437	2983	386	386
Stocks	327	287	1762	1997	274	263
Book debts	215	221	731	882	100	127
Net sales	786	624	7943	7514	629	529
Other income	39	11	93	59	51	79
Raw material costs	456	382	4853	4701	215	217
Wages	236	154	1390	1327	169	145
Interest	57	41	97	139	24	22
Gross profit (+)/loss(—)	—4	34	697	438	61	23
Depreciation provision	12	14	195	187	18	15
Tax provision	—	—	220	72	18	—
Net profit(+)/loss(—)	—16	20	282	179	25	8
Development rebate provision	—	—	48	37	6	4
Transfer to reserves	—	—	9	—83	5	—
Dividend						
Amount	—	—	P 5	5	E 14	10
			E 220	220		
Rate (per cent)	—	—	P 8 & 5.50	8 & 5.50	E 15	13
			E 20	20		
Cover (times)	—	—	1.08	0.64	1.36	0.31
Ratios (per cent)						
Gross profit/sales	—	5.45	8.77	5.83	9.69	4.35
Net profit/capital employed	—	3.84	9.63	5.91	5.60	1.84
Inventories/sales	41.60	46.00	22.18	26.57	43.56	49.72
Wages/sales	30.03	24.68	17.51	17.66	26.87	27.41

DUNLOP INDIA has been issued a 'letter of intent' for manufacture of an additional 200,000 truck tyres and tubes per annum at its Ambattur factory. The foreign exchange requirement for this expansion, estimated at about $ 1.5 million, is proposed to be obtained from Eximbank, American Express International and ICICI in the ratio of 45:45:10, respectively. The company is awaiting government approval to this proposal. One of the conditions of the 'letter' is that the company should purchase India Tyre and Rubber Company (India), a wholly-owned subsidiary of India Tyres of the UK, which itself is one of the companies in the Dunlop Group. India Tyres has agreed in principle to sell its holdings in India Tyre and Rubber Company (India) to Dunlop India and the latter's proposals for purchase are being considered by government. The company has signed agreements with the West Bengal Industrial Development Corporation and Andhra Pradesh Industrial Development Corporation, whereby it will provide continuing technical assistance for manufacture of crossply and belted-bias automotive tyres and tubes in their respective manufacturing units which are proposed to be set up in collaboration with Dunlop of UK. The Indian company has also offered to supply knowhow for scooter and cycle tyres and tubes to two small-scale manufacturers and is awaiting government approval in this regard.

Dunlop India set up a new export record last year by exporting to 87 countries and earning Rs 333 lakhs, the highest-ever achieved by any tyre company in the country. A special feature of the export effort in 1973 was the development of exports of products such as sports goods, particularly tennis and squash rackets, produced by small-scale enterprises, as also bicycles, bicycle components and slotted angles. An order for about one lakh tennis rackets was secured from the UK. The company has been recognised as an 'eligible export house'. A large technical and engineering organisation has been developed within the company for research and development, and current expenditure on this account is around a crore of rupees per annum. R G S Nairn, chairman, says that the continuous flow of international knowhow from Dunlop of UK has enabled the Indian company not only to meet the country's requirements for transport, agriculture, industry and defence, but also to develop a number of products exclusively for export. He complains that the company is experiencing difficulty in obtaining government approval for making payment for the cost of providing this knowhow.

The company turned out good results for 1973, with higher production, sales and profits. Production at Sahaganj was higher than in the previous year in spite of continuous power-cuts throughout the year. At Ambattur, the additional number of days worked together with the full benefit of the expanded capacity partially offset the effect of the severe power shortage during the first half of the year, and output was considerably higher than in 1972. Higher sales volume apart, the use of raw materials out of stocks held at the end of 1972 and the "substantial" purchases of critical raw materials made in early part of 1973 at considerably lower prices lifted profit-margins. The ratio of inventories to sales was brought down considerably over the year as were borrowings. The year-end stocks were also lower than in 1972. Capital expenditure in 1973 was lower at Rs 134 lakhs compared with Rs 191 lakhs in the previous year owing to delays in receipt of equipment from suppliers. Commitments for capital expenditure at the end of the year amounted to Rs 93 lakhs.

SWAN MILLS has turned out good results for 1973 in line with the general trend in the industry. With less than 19 per cent rise in sales, gross margins have more than doubled. The ratios of inventories and wages to sales have been reduced. Dividend, stepped up two points to 15 per cent, is covered 1.36 times against a bare 0.31 last year. These results have been achieved in spite of high prices of cotton, particularly imported cotton, increases in other costs, and power-cuts. The company increased exports from Rs 19 lakhs to Rs 73 lakhs. The working in the current year has been affected by a 41-day strike by textile workers in Bombay, coupled with rising costs and load shedding in March and frequent cuts in power supply thereafter. The directors find it difficult to foresee with any degree of certainty the prospects for the current year.

W G FORGE AND ALLIED INDUSTRIES (formerly Wyman-Gordon India) proposes to make a capital issue of 13.80 lakh equity shares of Rs 10 each at a premium of Rs 2.50 per share to raise part of the finance required for the expansion-cum-diversification programme and to reduce the non-resident shareholding to 39.4 per cent. The project, estimated to cost Rs 284 lakhs, is intended to be financed by, apart from the capital issue, additional borrowings and internal cash generation. Out of the present issue, 2.40 lakh shares have been reserved for allotment to the financial institutions and another 3 lakh shares for allotment to Indian directors and employees of the company. The public will be offered the remaining 8.40 lakh shares under a prospectus. Promoted in technical and financial collaboration with Yyman-Gordon of USA, the Indian company manufactures closed-die precision forgings. Its present installed capacity is 11,000 tonnes per annum. It has been issued two 'letters of intent' to expand capacity of forgings by 4,000 tonnes by the 'pour forge' process and to manufacture 12,000 finished crankshafts per annum. An application has already been submitted to seek increase in the crankshaft capacity to 36,000. The crankshaft project is expected to be completed by mid-1975 and the 'pour forge' project by the end of that year.

The company has already built up a good record of sales and earnings and expects to accelerate the growth rate in the future. During the past 5 years ended December last, its sales expanded from Rs 363 lakhs to Rs 914 lakhs, gross profit from Rs 89 lakhs to Rs 202 lakhs and after-tax profit from Rs 49 lakhs to Rs 77 lakhs. Dividend, paid at 10 per cent regularly, was stepped up to 15 per cent for 1973 on the capital raised by the issue of gift shares on a three-for-four basis. Gross block in this period got increased from Rs 278 lakhs to Rs 699 lakhs. Shapur P Rao, managing director, expects output of forgings this year at around 12,000 tonnes. On this basis, he estimates the company's turnover at about Rs 15 crores and gross profit around Rs 284 lakhs. At full capacity operation on implementation of the two programmes, the turnover and gross profit should be about Rs 26 crores and Rs 5.60 crores, respectively. The company should, therefore, find no difficulty in maintaining dividend at the present rate on the increased capital. The book value of the Rs 10 share, even after the proposed capital issue, will be around Rs 15.50. The company hopes to come to the capital market some time in the middle of July this year. One unusual feature of this issue is that the management does not intend to appoint any underwriters — a temptation which some of even the large and well established industrial houses in the country have not been able to resist. The public issue is managed by the Management Consultation Division of FNCB.

NEWS!

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3¼%	46 days to 90 days		3¼%
4¾%	91 days & above but less than 6 months		5%
5¼%	6 months & above but less than 1 year	6 months & above but less than 9 months	5½%
		9 months & above but less than 1 year	6¼%
6%	1 year & above but less than 2 years		6¾%
7%	2 years & above but up to & inclusive of 5 years.	2 years & above but up to & inclusive of 3 years.	7½%
		Above 3 years but up to & inclusive of 5 years	7¾%
7¼%	Above 5 years		8%

United Bank of India

(A Government of India Undertaking)

UBF-7-74

OFFSHORE EXPLORATION

No Killings These

(From a Special Correspondent)

THE government has announced the signing of contracts with two foreign oil companies for offshore exploration and production of petroleum in the Bengal and Kutch basins. These two companies, we are told, were picked out of some 40 parties which had shown interest in offshore exploration. One need not contest the government's claim that the two US firms, *viz*, Carlsberg and Reading and Bates Oil and Gas Company, have considerable expertise in onshore as well as offshore exploration and that they are very well suited for the job. But it is worth examining whether the government has got as good terms from these companies as it claims to have.

Terms of Contract

According to the terms of the contracts, the two oil companies are to be leased 28,000 square kilometres in the Kutch and Bengal basins, respectively, for a two-year period, to start with. At the end of the two years, the area of activity of each company will be limited to 5,000 sq km. The oil companies will have the freedom to choose this area out of the larger area initially leased to them. At the end of three years they will have to further scale down their activity to a 2,500 sq km area and at the end of seven years they will have to confine their activity only to the producing areas. It is also stipulated that the oil companies will have to part with all the vital data and information collected by them about the areas which they surrender to the government at the end of the seven-year period. Thus it may appear that the government will be getting, free of cost, a lot of valuable data about the oil-bearing potential of a vast area which it can put to use to augment the country's production of oil. This may be to take too optimistic a view of the matter. When the companies decide to finally settle down to some areas for producing oil, they would obviously like to stick to areas that have the maximum production potential. So the areas surrendered to the government by the oil companies are likely to be commercially the least productive ones. Too much need not, therefore, be made of the condition requiring the companies to surrender a progressively larger proportion of the area initially leased out to them.

The two companies are required to invest a minimum of $ 13 mn and $ 10.5 mn, respectively, in exploration. These are relatively small sums considering the costs of oil exploration and what the large international oil companies normally spend on exploration in other parts of the world. The total sum involved, *viz*, 23.5 mn, is certainly not so large that the government could not have undertaken the exploration work itself without relying on foreign oil companies.

From the point of view of the companies, the capital risks are quite small considered against the benefits that will accrue to them if oil in commercially extractable quantities is found. First, the oil companies are assured of 40 per cent of the total oil produced to recover their costs plus a large sum in addition. Thus if the oil companies incur capital costs of 100 mn, they can recover a total of $ 300 mn, made up of the actual cost plus a 200 per cent bonus. The remaining 60 per cent of the output until the so-called 'costs' are recovered and the entire 100 per cent of the oil produced afterwards is to be shared between the government and the oil companies in the ratio of 65:35; if the oil production is 12.5 mn tonnes or more, the proportion of 'profit oil' accruing to the oil company will decline to 20 per cent. Thus if the initial production of oil is around 10 mn tonnes annually, the oil company will get 4 mn tonnes as 'cost oil' and slightly over 2 mn tonnes as its share of 'profit oil'. Once the entire 'cost' is recovered by the company, and if by then production rises to 20 mn tonnes, the company will get 4 mn tonnes of oil per annum. At the present level of international oil prices this comes to over $ 300 mn per annum as the company's share of profits. The agreements with the companies are to remain in force for 24 to 27 years. Therefore, if production of oil reaches a level of 20 million tonnes after a period of ten years — by which time the oil companies in any case would have recovered their costs plus 200 per cent and also got their share of the 'profit oil' during the period — they will earn over $ 300 million annually and continue to do so till the expiry of the contracts. It may be recalled that even a couple of years ago the North Sea area of the UK was not regarded as particularly promising, whereas it is now thought to be capable of producing 100-150 mn tonnes of oil by 1980. The companies operating in the North Sea are thus assured of fantastic profits unless the UK government modifies the present agreements with them. Similarly, if the two Indian basins together turn out to be capable of producing 50 mn tonnes of oil after a period of 10 years, the two companies will be earning profits of over $ 750 mn per year at the current international prices. What is more, the oil companies are not expected to pay any royalty or corporate taxes.

Better than Indonesia's Terms?

The government has claimed that the agreements with the oil companies are similar to those that Indonesia had signed and that the terms secured by India are much more favourable than those obtained by Indonesia. Thus it is pointed out that the terms of sharing of the 'profit oil' put India's share at 65 to 80 per cent, against only 60 per cent for Indonesia. According to *Petroleum Economics*, February 1974, most of the foreign oil companies in Indonesia are on production-sharing contracts which provide Indonesia with shares ranging from 65-70 per cent, after recovery of costs by the companies from upto 40 per cent of production. Caltex Pacific and Stanvac are the only ones on contract of work basis which calls for a 60-40 division of profits.

It may thus be true that the Indian agreements are slightly better than those which Indonesia could extract from the oil companies a couple of years ago. But one should not overlook the fact that the Indonesian agreements were concluded at a time when it had appeared that a surplus situation might emerge in the international oil market. The posted prices as well as the market prices of oil were then 1/6th to 1/10th of their current levels. The recent phenomenal spurt in oil prices has brought about a total change in the world of oil and the strength of the Western oil companies

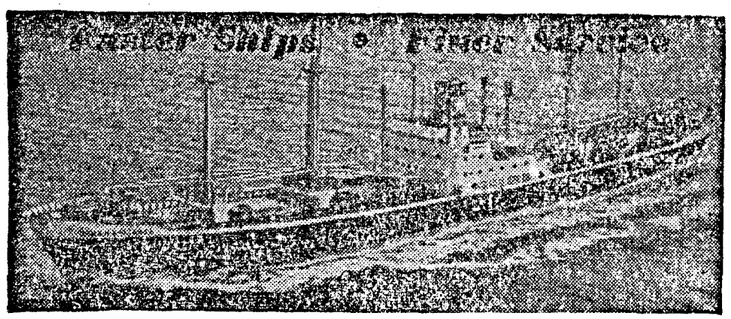
has declined appreciably *vis-a-vis* the governments of the oil producing countries. It is, therefore, difficult to compare the Indian agreements with the Indonesian agreements concluded two years ago. Indonesia is reported to be now bargaining with the oil companies for a greater share in the excessive profits of the oil companies. It has reportedly asked for a 90 per cent share for itself of all sales revenues over $5 a barrel. In January last Indonesia signed a production-sharing contract with Katy Industries which will give it a 70-80 per cent share in the oil produced plus an undisclosed part of the extra profits accruing from high crude prices. In the light of these recent developments can the government still claim that it has got such a good bargain with the oil companies?

Subsidiary Features

There are some other subsidiary features of the agreements for which the government is patting itself on the back. It is claimed that the ONGC would exercise a degree of control over the oil companies' operations through a joint committee of management and, if necessary, by acquiring a 10 per cent financial share in the operations. Actually the Indonesian contracts also allow for control over the operations of the oil companies through the Indonesian state-owned company Pertamina. In practice, however, Pertamina has chosen to exercise very limited control. Secondly, the option open to the ONGC to acquire a 10 per cent financial share in the operations if oil is found in large quantities does not mean much. To exercise the option, ONGC will have to pay proportionate investment costs with retrospective effect. In return it will get a 10 per cent share in the oil companies' share of 'profit oil' which will work out to 2 to 3.5 per cent of the total 'profit oil'. The ONGC is also said to have the option to take over by "mutual agreement" the full production 11 years after the signing of the contract. The phrase "mutual agreement" is sufficient to indicate that if oil is found in large quantities, the government will have to pay an exorbitant sum as compensation to the oil companies to cover the loss of several hundred million dollars of annual income for the oil companies over the unexpired part of the contract.

Well Known Proposition

In view of these long-term financial implications, it might have been better for the government to have borrowed funds abroad even at commercial rates and gone ahead with exploration and production work on its own rather than pass on such a potentially highly profitable operation to foreign oil companies. It is a well known proposition that whenever a sizeable investment is involved in any project, private investors generally discount future gains at a much higher rate than national governments. Given the current levels of oil prices, the cost to the country of oil exploration and production would have been lower had the government undertaken the task on its own instead of involving foreign companies — however favourable the terms of the contracts with these companies may be claimed to be.



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MINERALS

Keeping Up Appearances

Magnus

JUDGING by the tone of its Report for 1973-74, the Department of Mines seems to have lost all vitality. Since the reorganisation of the Ministry of Steel and Mines, the Steel section has stolen the show; the Department of Mines has lost control over Bharat Coking Coal, National Mineral Development Corporation and Manganese Ore India. It had lost Pyrites, Phosphates and Chemicals three years ago. The Coal Board and the Coal Controller's organisation under the Department are also likely to be wound up. Coal, of the non-coking variety, is therefore now the principal concern of this Department.

A sign of the creeping lethargy in the Department is its tendency to appoint, or join, more and more committees. To solve the vexed problem of coal transport, for instance, the Department took part in forming a High Level Standing Committee, which held two sittings during the year and whose first set of pedestrian recommendations could have been — and probably was — drawn up by any earnest junior official. The Committee in turn set up a Joint Monitoring Cell, a sub-committee to study coal handling facilities in steel plants, and a Control Room in the Railway Board. A Standing Linkages Committee was then formed to fix colliery linkages for all the power stations and the cement units, though recent experience has shown that the list of 'linked coalfields' is in a state of flux from week to week. The first grand attempt was made by the Fuel Policy Committee set up in October 1970. The Committee submitted Part I of its report in May 1972; its final report is yet to be submitted. Meanwhile, the country has continued without a rational long-term fuel policy.

The Coal Mining Authority, which has charge of all the non-coking coal mines, has to nearly double coal output by 1979. The Report states that towards this end it has to prepare as many as 141 feasibility/project/reorganisation reports. To help along, there is a revamped Central Mine Planning and Design Institute at Ranchi with Polish collaboration. For the Singrauli and Raniganj coalfields, moreover, there will be technical collaboration with the USSR.

The 'progress' recorded in the Report is largely negative. Between 1971 and 1973, the output of as many as 14 out of 20 minerals listed dropped — among them, bauxite, iron ore, limestone, manganese ore, phosphorite, and gold. Major coal washeries are still running at 40 to 45 per cent of their rated capacities while the Polish-designed washery at Gidi, rated at 2.8 million tonnes, has been idle since late 1970. BALCO's Korba plant finally commissioned one alumina stream in April 1973, but was soon shut down. Hindustan Zinc's melting furnace broke down, badly hitting zinc ingot output; after 10 years' efforts, HZL's daily ore production is yet to reach the target of 2,000 tonnes. Hindustan Copper continues to be the pet project; its Dariba project is going to cost Rs 1.1 crore, and produce 100 tonnes daily — a level of output achieved by small mine-owners with next to no investment other than in trucks. The Khetri concentrator, which is reported to be partly commissioned, will starve for lack of ore from the mines, and the company's smelters are starved of concentrates. HCL's Chairman has been shopping all over the world (but not in the Eastern bloc) for copper concentrates. Copper imports cost Rs 41 crores last year. The Khetri project alone has had Rs 110 crores spent on it so far.

One suspects that there is the same lack of direction in many other projects. Neyveli, for instance, 'raised' its annual capacity of 6.3 mn tonnes of lignite, but the same was 'assessed' at 3.6 mn tonnes. As a result, part of the power station and fertiliser plant at Neyveli may have to be converted to oil. Bharat Gold Mines wants to take contracts to make machinery, to provide consultancy and to produce other metals; meanwhile, gold output has halved since 1971.

The craze for foreign consultancy seems to afflict this Department as well. Bharat Aluminium has Hungarian consultants for Korba and Ratnagiri; it has signed an agreement with Tsvetmepromexport of USSR for an export-oriented alumina project in MP. Hindustan Zinc has Centrozap, Poland, as consultants for its new zinc smelter at Visakhapatnam. Hindustan Copper has Russian consultants for the major Malanjkhand project. Bharat Coking Coal is also engaging Polish consultants. The public sector companies (particularly Hindustan Copper) have sent hundreds of persons — from top managers to foremen — for training abroad during the last few years. Have they learnt nothing?

The Indian Bureau of Mines publishes an annual called Mineral Year Book. It has proudly issued the 1969 edition recently, whereas the US Bureau of Mines has already published data on India's mineral activity up to mid-1973. The Indian Bureau, besides, took up consultancy jobs for a total fee of Rs 66,000, which would barely cover its office rent. The Geological Survey of India, now shorn of its responsibilities in groundwater and mineral exploration, appears to have settled down to more purposeful activity.

The Department of Mines' own Technical Cell, which was inadequate to begin with, has never really got off the ground, because its chief soon became Secretary to the Department.

SOUTH

Continuity in Kerala

Mohit Sen

THE ministerial crisis in this state appears to have abated for the time being. There is also a universal impression that the dissensions within the Muslim League which almost led to a split may be reduced to less intractable proportions. And it is now widely believed that, should the legislative Assembly be convened in due course, the government would not find it too difficult to secure a vote of confidence. The continuity in radical change may, therefore, not get upset.

What gives stability to the Ministry and its leadership in the continuous process of radicalisation is the fact that the people in the state feel this is the best Ministry that they have ever had and that there is no prospect of finding a better one. In the general cynicism regarding the corruption of politicians and the entire political process itself,

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even the otherwise sceptical Malayalees seem to be confident that the Ministry of their state has an enviably clean record. This is what they feel above all about the Chief Minister.

Nor is it a negative credibility that the Ministry enjoys. To its fairly long list of achievements it has recently added two more. One concerns University reform whereby students get representation not only in larger numbers than before in the Senate but for the first time in the crucial executive organ, the Syndicate. The second is, of course, very much more important: the Agricultural Workers Act. At least in one part of the country the wretched of the earth have themselves enacted this historic turn. By their determined struggle and strong organisation, built up by decades of sacrifice, the agricultural labourers of Kerala have pioneered in this sphere. The leadership of this vital process has come from the Communists of Kerala — both those who are now in the CPI and those who are in the CPM.

What they have done has borne fruit: As a result of the Act, agricultural workers in Kerala are provided work security, an eight-hour day, higher wages, and a provident fund scheme. The benefits of the Act also indicate the new stage which the former agrestic slaves of Kerala have reached. No longer are wages alone the road to liberation in their conception. Now the demands are for safeguards which guarantee a more human condition. What is of tremendous importance for the future development of Kerala is that the agricultural workers have become wage labour in the true sense of the word. This represents an enormous accretion of strength for the Indian working class.

It is because of its credibility and the achievements that the Ministry headed by Achuta Menon has lasted so long, despite its thin majority and the heterogeneous character of the coalition. These achievements underline another important factor too with great potential for India's future, *viz*, the capacity of the Congress in Kerala to go along with the most radical of structural reforms.

Meanwhile, the dissensions that have developed in the Muslim League concern much more than personality clashes. The struggle includes the question of direction and pace of development of the Muslim community; it includes the question of with whom are they going to unite, for what would they unite, and how are they going to gain that identity and protection which would ensure a better life for the coming generations. It is not without significance that the dissidents, by and large, are those who are somewhat disinclined to see the rapid implementation of a programme of radical structural reforms adopted by the government at its very inception.

The CPM, on the other hand, is in a real dilemma in the state. It opposes the convening of the Assembly to test the majority of the government because it knows that the opposition, at any rate, would not be able to secure a majority. It is, therefore, not claiming its right to form an alternative government; it is demanding fresh elections. Despite the directive of the Politbureau that he devote most of his time to the work of the Centre in Calcutta, Namboodiripad spends almost all his time in Kerala. The mass base of the party in Kerala continues to be extensive, and the present accentuation of the crisis of the capitalist path of development has delayed the break-up of this mass base. It is certainly true to say that Left and democratic unity in Kerala would be incomplete unless this mass force is brought into it; but this can be done only by a sharp and sustained struggle against Left opportunism in the state.

It is being suggested that the political basis for the coalition government has been undermined by the fact that the CPI moved a vote of no confidence against the Indira Gandhi government in the recent session of the Lok Sabha. True there has been a tilt to the Right in the crucial sphere of economic policy by the Central Congress government — a menacing feature of the present situation. The CPI struggles to its capacity against this tilt — especially as manifested in the hardening opposition towards the treachery and repression displayed towards the railway workers. Achuta Menon thus wrote to the Prime Minister that the way to settle the strike was through negotiations. But the political basis of the coalition in Kerala is the programme of the United Front and the Congress. The political basis is action to implement this programme. So long as this basis is not thrust aside, the coalition would continue. By the implementation of the programme the Kerala government becomes one of the important levers or bastions from which would be conducted the fight against the Right, against the Centrist tilt to the Right and for a shift to the Left.

NORTH

With and Without Power

THE supercession of the Punjab and Haryana High Court's seniormost judge and the appointment of a judge about five years his junior to the Chief Justiceship was a concerted action on the part of Chief Ministers of Punjab and Haryana through their respective Governors, to serve notice that promotion to the coveted post of the High Court Chief Justice was predicated on their favour and that seniority would no longer be the sole, nor even the principal, criterion. It was noticed that a judge's refusal to oblige, or his too independent action or too liberal interpretation of judicial impartiality, would merely earn denial of even overdue promotion. The judges, thus, have a choice between pathetic subservience and difficult integrity.

The superceded judge had recently declined to oblige a Chief Minister over an incident in which firing had taken place and in which one of the Chief Minister's relatives was involved. The Chief Minister must also have noticed that the judge had blatantly absented himself from a recent dinner hosted by him. The Chief Minister of the other state could not have forgotten that the same judge, acting in another capacity, had once hauled him up for illegitimate political activity. So both Chief Ministers evidently agreed to by-pass him and to recommend, instead, a relatively junior judge on whom they could fully rely.

Since no official reason was given for the supercession, all sorts of rumours were current. High Court lawyers and a section of politicians gave a distinctly communal tinge to the issue. The Bar, what is worse, seemed to want to thrash out the issue through an unedifying brawl. At the meeting summoned on May 14 to consider the supercession issue, pandemonium broke out even as the members' verdict was being sought through secret ballot. A lawyer snatched some ballot papers and tried to swallow them. He was roughed up. Another, equally determined, colleague sat tight on the ballot-box. There was fist-fighting. The Returning

Officer was manhandled. Some advocates rolled up their sleeves for a bout with their known rivals.

Delayed Protests

Within days of this blow to the judiciary came another — to the economy. K C Pant, Union Minister for Irrigation and Power, disclosed in Chandigarh on May 21 that the Rs 244-crore multi-purpose Beas-Sutlej project — which has been under construction in Himachal territory for the last decade or so — would be even longer in being completed. The target dates for completing this project have, in fact, been revised very often, and reports of corruption, waste, work interruptions, and operational inefficiency have been persistent. Not long ago, K L Rao, Union Minister in charge at the time, blamed the lags on the delays in arrival of certain equipment. Last month, his successor, K C Pant, sought to give a technical explanation: "unforeseen geological problems encountered by engineers in tunnelling operations". Bad rock, he said, had slowed down the work. But the fact is that prolonged studies of the terrain, especially of the nature of the rocks, were carried out some years ago and the construction schedules adjusted accordingly. Talk of geological obstacles, moreover, at a time when the project should have been in the final stages of construction lacks credibility. According to the revised schedule now, commissioning of the project's water-carrier system would take place in June-July 1976. The first two units (165 MW each) of the Dehar power house, on the Sutlej river bank, are not likely to generate power before September 1976.

The Beas project is a joint venture of Haryana, Punjab and Rajasthan. Owing to the frequent revisions of the schedule, costs have doubled. The latest estimates of total costs are: Rs 244 crores — Rs 205 crores on irrigation and Rs 39 crores on power. For much of this hike, the government and the engineers are themselves responsible — the former because of their endless dithering and the latter because they fail to work with any sense of urgency. Reports have it that the long delays and revisions have helped vested interests to develop. The unresolved differences between Punjab and Haryana over the sharing of the Ravi-Beas waters too present rich ground for horse-trading.

The Centre's vacillation over important projects which could end this region's seemingly perpetual power famine is evident also in its failure to reach a decision on the Thein Dam over the Ravi river, near Gurdaspur, in Punjab. The project has been under 'active consideration' for several years. A large stretch of land behind the proposed dam lies in Jammu and Kashmir. The prolonged inter-state rivalries, claims, and counter-claims, made a Central takeover of the project desirable. Over a year ago, K L Rao announced that the Centre itself would execute the project. But there followed a long period in which neither the Centre nor any state agency undertook construction work at site. Planning Minister D P Dhar is reported to have assured some time ago that the project would be handed over to Punjab for execution. But now there is widespread fear that the project might be altogether postponed — or even dropped. Meanwhile, much water from the Ravi has been flowing into Pakistan, though since 1970, under the Indus Waters Treaty, this water belongs to India.

There have been repeated delays, too, in the Rs 100-crore, 220 MW thermal plant at Bhatinda (Punjab). The first unit was expected to be commissioned by the end of July 1974; but, on May 22, Punjab's Minister of State for Irrigation and Power announced that there would be further delay — this time, owing to inadequate coal supplies. The plant, he said, could be commissioned only if it builds up a stock of 45,000 tonnes of coal to meet one month's requirements.

Power Cut

The power famine in Punjab therefore continues. There has been a 60 per cent cut in power to the industries. This cut is to continue unless there is timely and adequate melting of the Himalayan snow to feed the Bhakra Dam's catchment areas. Alas, like the monsoon, the sun and the snow too do not always oblige.



WEST BERLIN

Brandt's Graceful Exit

Ramesh Jaura

AMIDST continuing speculation about the real motives behind Willy Brandt's surprise resignation on May 6, West Germany is slowly returning to political normalcy. The former Finance Minister Helmut Schmidt has been elected as the new Federal Chancellor. Erstwhile Foreign Minister Walter Scheel has won, like Schmidt, the required majority votes in the first round of voting, for the office of the Federal President.

Scheel assumes his presidential office in July after its present incumbent Gustav Heinemann retires voluntarily. Chancellor Schmidt has already formed his new coalition government with former Home Minister Hans-Friederichs Genscher as his deputy and Foreign Minister. The five new faces in the Schmidt-Genscher coalition government, all belonging to the Social Democratic Party (SPD), replace an equal number. The two outstanding ministers among those dropped, presumably at their own insistence, are Ehmke and Egon Bahr. Ehmke was involved in West Germany's latest spy scandal, the Guillaume affair. Bahr was a close confidant of Brandt and played a significant role in the previous government's *Ost-Politik*.

Ost-Politik to Continue

The Eastern policy of the Brandt-Scheel coalition, founded in 1969, is to be carried out by the new government in Bonn, as Schmidt stated in a declaration of his government's policy and programme. The policy statement has been in general welcomed in the Soviet Union, Poland and Czechoslovakia. Even East Germany has expressed its readiness to co-operate with the new coalition in Bonn in all measures aimed at the maintenance and furtherance of relations between the two German states.

The pledge to adhere to the *Ost-Politik* has not come as a surprise. It was to be expected that a renewed coalition of Social Democrats and Free Democrats would continue to follow a policy of reconciliation and peace with Moscow, Prague, Warsaw and East Berlin. Nor was it doubted at any stage that the Schmidt-Genscher coalition would derecognise either the Basic Treaty with the GDR or the Four-Power Agreement on West Berlin. In the prevailing circumstances of *detente* between the Soviet Union and the US, even a conservative government of Christian Democrats (CDU) and Christian Socialists (CSU) would not have dared to do otherwise. But as with the CDU and CSU, though not to the same extent, the manner and style of conducting the Eastern policy would in practice be different as far as the new socialist-liberal coalition in Bonn is concerned. Because both the men now at the helm of affairs in West Germany not only come from a background different from that of Brandt and Scheel, but also harbour distinctly different nuances of political conviction and orientation.

This is also reflected in the renewed coalition government's statement of domestic policy. The Brandt-Scheel coalition was characterised for its reforms programme. Much of this programme could not be implemented and led to disenchantment particularly among the youth wing of the SPD, known as the JUSOs. Some observers even explain the defeat of the SPD in the two recent state elections in West Germany to the non-implementation of the reforms programme. It is highly doubtful whether by sacrificing the reforms programme, as the Schmidt-Genscher coalition has done, for other priorities in the financial and economic fields, the growing impatience of the JUSOs can be checked. Equally uncertain is the prospect of retrieving the image of the Social Democrats among the voters.

Brandt who has now been made the Chairman of the SPD has promised to do his best for the party and its electoral campaigns in the forthcoming polls in the states as well as in the 1976 general elections. Some place their hopes in Brandt being able to 'integrate' the JUSOs into the party. Others doubt whether the former Chancellor would really carry much moral weight and conviction either with the JUSOs or the West German electorate. Some observers quote "cool and analytical Social Democrats" as saying that Brandt is in any case irredeemable and predict that latest after one year he might even have to give up the Chairmanship of the SPD. Others like the well known West German historian Golo Mann — son of Thomas Mann — express the hope that Brandt might be able to stage a comeback as Federal President, perhaps in 1979, when Walter Scheel's term expires.

Meanwhile, it is an exceptionally trying time for Brandt and his detractors do not shy away from adding to it. It is known that Brandt is highly sensitive about the smear campaign against him. A similar campaign was launched in the early 1960s when he stood as SPD candidate for chancellorship against Adenauer. That he was an illegitimate child was the core of that campaign. The present smear propaganda centres on Brandt's private life — his love affairs with various ladies.

Brandt said in a nationwide televised statement that "it would be and is grotesque" to believe that an East German spy could bring about the downfall of a West German Chancellor. But in his statement, Brandt also pointed out that he did not feel himself uninhibited enough to carry on contacts with the Warsaw Pact states in view of the top secret information transmitted. To this the editor of the weekly, *Die Zeit*, Theo Sommer, retorted: "A Federal Chancellor should have been able to face the challenge of a spy scandal. But he obviously did not have either the strength or courage to do so".

Brandt's Negligence

Others, particularly on the right, have gone to the extent of deeply implicating Brandt in the espionage affair. A CDU member from West Berlin has in fact applied for a trial of Brandt at the Federal Court in Karlsruhe. He has grounded his case on the thesis that Brandt displayed negligence in regard to the spy case. And, he has based his case on no less than what Brandt stated in his letter of resignation to the Federal President: "I accept the political responsibility for negligence in regard to the espionage affair Guillaume and offer my resignation from the office of Federal Chancellor".

Meanwhile the issue of political responsibility continues to be debated both theoretically and in its current context. Does the political responsibility lie only on the head of government? Were the others in the Brandt government not responsible for the spy case? In this case, reference is made to the erstwhile Home Minister,

Genscher. It was after all the agencies under his ministry which had given a green signal to the appointment of Guillaume as an aide to the Chancellor. Observers point out that the question of Genscher resigning was ruled out from the very beginning since insistence on Genscher's resignation would have endangered the SPD-FDP coalition itself.

Of course, Brandt could have acted in a Machiavellian fashion and rolled ministerial and official heads and at the same time blown up a cold war with the GDR which even the CDU-CSU opposition would have swallowed. For instance, the CDU Chancellor, Adenauer, had resorted to political high-handedness in the wake of the unearthing of a spy case involving Otto John, who presided over the Federal agency entrusted with the protection of the constitution. But then Brandt is not a thick-skinned prince nor does he have the political make-up of Adenauer.

THE FOURTH ESTATE

With a Little Bit of Threat

Nireekshak

EVEN those who pontificate on the sanctity of facts seem to regard news-management by the government as a legitimate — even a 'responsible' — operation in a democracy. Little wonder then that editors of even what are winningly described as national newspapers, and the journalists employed by them, allowed themselves to be used to break the railway strike. They worked with the zeal of a demolition squad, and contributed their mite towards de-fusing the strike.

Thus the two national news agencies, heavily subsidised as they are by the government, were not found wanting when their benefactor required their co-operation.

Honourable Exceptions

The daily Press was in any case ill-disposed towards the railway strike, so it was not anywhere near finnicky about the kind of news it was fed. If, nevertheless, several newspapers felt free to criticise the provocation they saw in the arrest of the labour leaders on May 2 in the midst of negotiations to avert the strike, it was because such comment could still be made without harm to the main news columns in which the papers continued to toe the government line, presenting the facts in the light prescribed by the government. Thus, with a few honourable exceptions, the newspapers fed readers with untruths and half-truths. Even the otherwise pro-government Indian Federation of Working Journalists was moved to speak out in protest, and call upon its members not to be party to the official news-management operation.

Weeks before the strike, the Prime Minister is reported to have told her aides that the proposed strike would pose a bigger challenge than the Sino-Indian war did in 1962. So, dutifully, everything seems to have been organised on a war footing. A couple of advertising agencies were hired to do the copywriting and visuals, and the Directorate of Advertising and Visual Publicity — the Government's own advertisement agency — played the role of post-office for this expensive campaign. The All India Radio and TV were geared for the strike-breaking operation, and no chances were taken with the Press.

Hilarious Briefings

Groups of journalists were invited for brainwashing with a liberal flow of alcoholic beverages. At a session organised for the Sub-Editors' Guild, the Railway Minister, L N Mishra, was himself present. People claiming to speak on behalf of the Prime Minister went round the major cities, meeting news editors to explain the 'other side' of the picture and to enlist their co-operation for the national endeavour to defeat the strike which had already been declared illegal, anti-national, and so on.

The daily briefings by the Railway Board Chairman, M N Bery, hilarious though they were in relation to actual facts, were printed dutifully by the newspapers — and nothwithstanding that statements such as "marginal strike situation continues", "but there are signs of improvement", services are "coming back to trim" and "returning to shape", can be ill put together to make news copy. Questions about the actual number of trains run under the near-secret 'revised schedules' remained unanswered. Asked about the number of territorial army men pressed into service, the Chairman declined to answer, pleading it was in the nature of 'classified' information. In terms of sheer wordage, the Railway Board's version of the news overpowered the papers' own reports on the strike. Yet the blatant inaccuracy and vagueness could not altogether throw mud in the reader's eyes.

There is the classic instance of a leading daily running a front-page story to assure the nation that there were no signs of eviction of the striking railwaymen's families from their officially allotted tenements in New Delhi. On an inside page, however, there was a report of the wife of a railway employee filing a writ petition to stay her eviction. Another leading daily published a tell-tale photograph of the locked door of a tenement from which a family had been thrown out.

Blatant to Subtle

Methods used for managing the news ranged from the blatant to the subtle. For instance, the editor of a daily that attempted to give a depiction of the facts despite its declared opposition to the 'anti-people and anti-worker' stike, was sought to be prevented from publishing the details of George Fernandes's letter from prison to the Prime Minister — it being gently hinted that, since the strike was illegal under the Defence of India Rules, anything in the nature of support to the strike would attract action under the DIR. Alas, the story was already on one of the agency wires while the editor was still discussing the implications of publishing the details of the letter. To play safe, the paper used the agency copy.

It is difficult to measure the degree to which the DIR influenced coverage of the strike. The Rules are so draconian that anything which can be interpreted as supporting the strike could be categorised a 'prejudicial report' and made actionable. While there is no instance yet of action under the DIR against any newspaper in connection with the railway strike, the existence of the DIR and its known employ against the railway employees themselves was enough of a Damocles' Sword to cajole the reporter into behaving. Willingly, rather than reluctantly the Press played its role in breaking up what was the largest strike the country has ever known.

Neither Flashes in the Pan nor Sound of Artillery Fire

John V Ferreira

Society in India; Volume One: **Continuity and Change;** Volume Two: **Change and Continuity** by David G Mandelbaum; University of California Press; pp 700.

FROM the time of its conception to the time of its publication, the making of this two-volume work of 700 pages has taken 33 years. Its author, David G Mandelbaum, has paid several visits to India as a field-worker and in various other capacities. He has done field-work among the Kotas and neighbouring tribes and castes in the Nilgiri Hills; and, judging from the bibliography of 693 books and pages, has an extensive knowledge of the relevant literature. The blurb describes this analysis of Indian society as the most comprehensive study that has been done in recent times. If one adds to that statement the neat inversion of subtitles to volumes one and two, one delves into the pages of this large work with high hopes of being instructed, stimulated and illuminated. Regrettably, however, ploughing through these pages becomes dull work, first, because most of the information communicated is well known stuff; and, second, because the book fails to startle and grip for want of originality of interpretation and to provoke and excite for lack of controversy. Nevertheless, an attempt at a comprehensive study is always a useful exercise from time to time, and, whatever its limitations, serves the valuable purpose of offering an overview. Mandelbaum's volumes are, therefore, useful; and one can even expect that they will acquire a measure of popularity on that account in our colleges and university departments.

Systems Approach

Let us add further that in attempting this 'comprehensive' analysis of Indian society, Mandelbaum adopts the systems approach which has been growing in strength in America, elsewhere in the Western world and also in India to some extent. Such, be it noted, is the power of the long-scorned fact of diffusion. Thomas Kuhn's ideas are no doubt also relevant here. Mandelbaum makes large claims for the systems approach. It eliminates misleading dichotomies; it includes crucial social factors in one model; it views structure and process, concord and conflict in the same general perspective; it enables the examination of stability and change, norm and deviance together; it does not treat social control apart from social conformity because the system is the social control; and the feedback of counter-change is as integral to it as is the expected interchange. Furthermore, the systems approach, says Mandelbaum, permits us to perceive society in Redfield's paradoxical phrase as an 'analysed whole'. It is good to observe that the word paradox is no longer anathema among social scientists. However, it would appear from the enthusiasm of its growing band of advocates and other fashion-loving supporters that in the systems approach social science has finally reached its apogee or highest point of development. The fallacy or self-delusion of the highest point of development has been long with us in the human disciplines treated as sciences in the narrower sense of the word. But note that F E Emery, while registering the notion that the systems approach aims at grasping the *Gestalt* properties which characterise the higher levels of organisation, points out the uncertain state of knowledge in this field. Again, Guy Rocher demonstrates as recently as in 1972 that the validity of systemic analysis is still called into question by several sociologists and that even those who agree about its utility suggest various interpretations of such analyses. Babel is never far away from the social sciences considered narrowly as sciences, no matter how much effort is expended by the stalwarts in trying to reach out for consensus. Finally, note that Mandelbaum, too, after making large claims for the approach, hedges by asserting that the test of the utility of a concept is whether it helps to clarify, explain and assess probabilities and not whether its use surmounts all questions about it and fills all gaps in it. The clarification, explanation and assessment of probabilities, however, can well be regarded as a milk-and-water version of the deterministic certainties sought by scientists of an earlier epoch, as the use of the term 'explanation' would seem to suggest. Indeed, the tracing of word-symbolism in depth would prove a fascinating exercise in unveiling underlying motivations if undertaken with acumen.

Mandelbaum also tells us that his own use of the concept of social system has been influenced by the writings of Homans, Nadel, Redfield and the more recent syntheses made by Walter Buckley. To consider just one, and that the last mentioned, of this array of dazzling luminaries, in his synthetic endeavour to include everything and please everybody, Buckley treacles his pages, especially his initial ones, with sweet reasonableness and disarming all-inclusiveness. Above all, we are informed that the modern systems approach aims at replacing the older, analytic, atomic technique by a more integral orientation to the problem of complex organisation. But when it comes to the crux of the issue, that is to say, the basic concept of man, what does one discover in Buckley's pages? A reduction, of course. Man is reduced to a "highly flexible and efficient information processing servosystem" — in a word, a computer. If this is not reification in the bargain, what is it? To use a phrase from the Catechism, reification is a mortal sin even among social scientists as their charges and counter-charges against one another in their more heated controversies amply indicate. Why, then, do they keep on perpetrating it time and again? First, because they do not seem to have fully realised, as R F Murphy, drawing on the insights and methods of dialectical philosophy, has done that the contradictions between ideology and behaviour are existential to humanity and that the tendency of society is not towards stability but towards movement and imbalance; and, second, because they prefer to avert their eyes from the implications of an authentically integral approach as a consequence of the hubris and *Zeitgeist* of an earlier decade, thereby failing to perceive or refusing to perceive that society is essentially a creative flux directed at the attainment of an almost unimaginable consummation and that man is essentially not an analysable structure but an elusive *Geist* from whom flows spontaneity and creativity. Therefore, the drift of

But in this section which relates to the tribes as well as in his reference to the totemic clan exogamy of the Marathas in volume one, Mandelbaum's use of the available literature is partial and one-sided. However, he ends this part of volume two with the observation that the advance of status can now be carried out in a wider setting than before which includes the region, state and nation, that there is more differentiation, specialisation and carrying capacity than there is within a local jati hierarchy, and that the caste society may accordingly be undergoing systemic change to a new level of organisation. What is this new level of organisation? Mandelbaum offers the suggestion that "systemic change in jati organisation may perhaps be understood as recurrent change toward modern, global organisation, just as systemic change in a tribal society can be seen as recurrent change into caste society". Are we, then, all caught up in a deterministic cage of systemic recurrence? Is not the qualifying word 'perhaps' much too weak to do full justice to the essential freedom and creativity in man? And all this stress on systemic recurrences within systemic recurrences comes to us from America at a time when even outstanding Marxist thinkers of the calibre of Julien Lefebvre are playing down economism and conformism and emphasising the fact that the *raison d'etre* of a social system is the release of the creative powers in all human beings.

ENTROPY

Much more could be said by way of critical discussion about this large work on Indian society, such as, for instance, its almost total neglect of history or any attempt at reconciling the historical with the systems approach. But we shall confine ourselves for the sake of brevity to a final critical statement. Mandelbaum repeats Milton Singer's arguments against Max Weber, K William Kapp and Gunnar Myrdal and points out that adequate empirical evidence has not been tendered in maintaining the Weberian thesis by Weber himself or by those who support his thesis. The crucial evidence, however, has taken some time to make its appearance and gather momentum, as is understandable in connection with so complex a being as man. This evidence is the increase in entropy, as I have already indicated, which is manifest all around us in India today. Thought, creativity and excellence constitute negative entropy; but these vital elements are not conspicuously present in the country today. Instead, there is a kind of intellectual colonialism which is very likely the prime cause of our many woes. If, therefore, one interprets Weber liberally, one will discover that he is not so far out on the wrong side as some American social scientists would have us believe. Gunnar Myrdal's advice to social scientists to make a candid declaration of their values — add partialities and prejudices — could well be taken to heart by the anti-Weberites in the ranks of American social science.

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Age at Marriage of Women

Kumudini Dandekar

The average age at marriage of Indian women has risen relatively rapidly in the last two decades and has reached a fairly reasonable level in recent years.

There is nothing desirable or undesirable about the present age at marriage per se. *What is a cause for concern, however, is the fact that the average age at marriage of women in India has been so unresponsive to efforts to raise it.*

Why is this so?

THE marriage pattern in India is examined here in the light of patterns observed elsewhere, especially with a view to determining the difference in the status of the female in India from that in other countries.

The average age at marriage, the minimum age at marriage specified by law, and the distribution of women marrying at various ages in India, Sri Lanka, Pakistan, Thailand, United Kingdom, France, United States and Japan are presented in Table I. The age at marriage in India is much lower than that in other countries except Pakistan. In fact it is observed to be the lowest among most of the countries of the world. Can any explanation be offered for this state of affairs?

As for advanced countries it seems that there is a definite change in the marriage pattern, namely a decline in the age at marriage in the post World War II period after a substantial rise in the early thirties. This gives negative values for older ages (in Table 1) for women who married late in the 1930s, namely the depression days. Poverty combined with education raised the age at marriage at that time. The recent decline in age at marriage is due to relative prosperity in the relavant countries. In India the explanations for low age at marriage that may strike one at the outset, especially while comparing the countries in Table 1, are the low level of industrialisation and acute poverty unaccompained by education. Even the highly advanced countries of today had low ages at marriage in the preindustrial stage. But today people in many countries even at low level of industrialisation do not marry that early. Moreover the Indian age at marriage remained low in spite of deliberate efforts to raise the age till 1960s. From 1890 to 1960 the female age at marriage increased by only four years, i e, from about 12 years to about 16 years. The average ages at marriage in the various decades were as follows:

Census Decade	Age at Marriage (in years)
1901-1911	12.8
1911-1921	13.0
1921-1931	13.5
1931-1941	14.9
1941-1951	15.4
1951-1961	16.3*
"	17 | our
1961-1971	18 | estimates

* Estimate by S P Jain given in the Introduction, page XXXV, to "Patterns of Population Change in India during 1951-61", edited by A Bose. (Allied Publications, Delhi).

The average age at marriage in 1971 is however 20 years in urban areas and 18 years in rural areas. It shows that the age at marriage in India has been increasing at a greater speed during the last two decades and has reached a reasonable level in recent years. There is nothing desirable or undesirable about present age at marriage, *per se*. But the low capacity to raise it when called for by social circumstances is the serious problem. Why is it that Indian conditions are so poorly responsive to efforts to raise the age at marriage? (See Table 2.) The Sarda Act of 1930, subsequently amended in 1949 and 1956, raised the minimum age at marriage from 14 to 15 years and finally to 16 years. The present move is to raise it to 18 to 21 years by legislation. The Sarda Act was obviously meant as a health measure by specifying the minimum age at marriage to rule out forced sex before puberty. A congenial climate for such action was created in those days by recent criticism of Indian child marriages by Miss Mayo and others of her kind. In many countries the minimum age at marriage is specified by law and is very often nearabout the age of puberty. Legislation regarding minimum age at marriage had no substantial effect on the age at marriage in India and 24 per cent of the women married before 14 during 1931-41. Even today a substantial percentage is estimated to marry before the specified minimum. From Table 3, 20 per cent women in 1961 and 12 per cent women in 1971 married during 10 to 14 years of age. The current attempt to raise the minimum age at marriage to about 20 years is aimed at reducing the birth rate. The possible results however are not very encouraging as shown below.

K G Basavarajappa and M I Belvalgidad showed that the decline in birth rate could not be more than 10 per cent by raising the age at marriage to 19 or 20 as indicated in Table 4. Such rise in the age at marriage reduces the proportion of married women among those aged 15-44 years by about 16 per cent or so. But the decline in birth rate happens to be smaller. In short, the two authors indicate that socially it is desirable to raise the age at marriage, but as a measure of fertility control it may not be very effective. The Ministry of Health and Family Planning has in its Mass Mailing Unit recently announced an expected long-term fall of 15 and 19 per cent due to raising the age at marriage to 18 and 20 years, respectively. A number of similar estimates have been offered by a number of demographers. The reduction in fertility estimated by them is set out below:

Author	Percentage Reduction in Birth Rate
S N Agarwala	30 during 25 years.
Zachariah and Talwar	25 immediately; 8.21 in long term
Goyal	30
Mukherji and Venkatachari	23
Chidambaram	15 or less

According to Ansley Coale and Tye[2] with rise in the age at marriage, the length of generation increases which reduces the intrinsic rate of growth per annum even if women produce the same number of children. Though there would be some fall in the birth rate as a result of raising the age at marriage above puberty, there is no possibility of rise in the age through legislation without proper implementation. Im-

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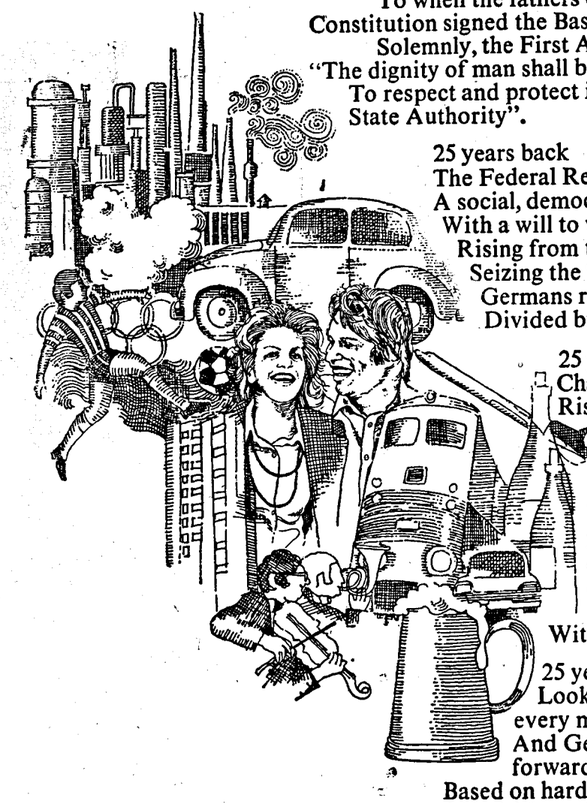
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TABLE 1 : PERCENTAGE DISTRIBUTION OF MARRIED MALES AND FEMALES IN VARIOUS AGE GROUPS IN STATED CALENDAR YEARS

Age Group	1966 UK		1967 France		1967 US		1965 Japan		1971 India		1973 Sri Lanka		1961 Pakistan		1960 Thailand		1961 India	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
12.5 - 17.5	1.62	7.75	0.87	6.92	2.91	12.08	0.41	1.48	13.29	45.21	0.92	14.71	13.56	70.12	2.69	13.61	21.93	65.68
17.5 - 22.5	30.83	50.69	28.20	48.34	43.29	55.08	9.25	30.43	31.87	33.86	14.28	43.63	34.48	19.64	28.74	47.56	32.29	23.20
22.5 - 27.5	40.87	27.16	37.26	28.29	38.52	22.89	44.68	49.19	31.41	7.11	34.49	24.22	29.26	3.40	38.92	24.47	26.13	4.08
27.5 - 32.5	10.63	5.13	12.37	5.26	3.55	5.13	34.67	9.88	11.63	1.10	24.13	8.86	12.78	0.91	16.43	7.45	9.96	0.85
32.5 - 37.5	3.01	0.97	6.30	2.05	3.79	0.01	6.84	2.25	3.21	0.31	13.02	3.41	3.97	0.26	4.29	2.50	3.16	0.30
37.5 - 42.5	1.85	—0.04	2.89	0.48	2.00	—0.27	1.72	2.08	0.52	—0.04	2.78	0.51	1.74	0.24	1.59	1.07	0.68	0.12
42.5 - 47.5	1.48	—0.30	2.50	0.39			0.74	1.72	0.64	0.15	2.91	0.42	0.70	0.09	0.60	0.52	0.62	0.12
47.5 - 52.5	0.86	—1.25	0.56	0.03			0.39	0.39	0.08	—0.01	0.00	—0.39	0.56	0.29	0.29	0.25	0.07	0.03
52.5 - 57.5	0.57	—1.77	0.23	—0.48	—1.45	—1.15	0.22	0.48	0.20	0.08	—0.01	0.62	0.19	—0.16	0.16	0.14	0.29	0.05
57.5 - 62.5	0.23	—1.72	0.72	—0.93			0.12	0.35	0.02	0.01	—0.58	—0.83		0.00	0.02	0.08	0.03	0.00
62.5 - 67.5	0.62	—0.66	1.06	—0.88	0.78	—1.28	0.04	0.04	0.18	0.05	—0.08	0.82	0.03		0.08	0.08	0.07	0.02
67.5 - 72.5	0.46	—1.05	0.83	—0.95			0.03	0.03	0.00									

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TABLE 2: AVERAGE AGE AT MARRIAGE OF INDIAN WOMEN ACCORDING TO VARIOUS CENSUSES

	1921-31	1931-41	1941-51	1951-61
Assam	14.1	16.3	16.5	18.54
Bengal	10.6	13.8	14.3	15.86
Bihar and Orissa	11.2	13.8	14.1	14.81
Bombay	12.1	14.5	15.2	13.74
Hyderabad	10.2	11.4	11.8	15.26
Madhya Pradesh	10.6	14.2	14.1	13.87
Madras	14.7	16.2	16.8	18.14
Mysore	14.8	15.9	16.0	16.33
Punjab	14.6	15.3	16.1	17.46
Rajasthan	12.3	13.6	14.0	14.22
Travancore	17.2	19.2	19.4	20.00*
Uttar Pradesh	11.4	13.4	13.6	14.43
Kashmir	15.0	16.2	—	19.97
India	12.0	14.9	15.4	

* Kerala
Source : Malini Kanckal, *Journal of Family Welfare*, March 1968.

plementation is not without social as well as economic costs and then the question is whether the reduction in birth rate is worth the costs.

It seems to us that further rise in the age at marriage can occur only with high motivation among women for a better life for themselves. This can lead to reduction in fertility. Such a motivation can come with better education, employment or general improvement in the level of living above a certain minimum. There is only one country that has achieved birth reduction by marrying late, at an average age of 29 or above.[4] This is Ireland. But the conditions of living there were better than those in India. This perhaps explains its capacity to raise the age at marriage. In fact in advanced countries people can raise the age at marriage when circumstances call for it. However, a number of observations with regard to India show that only raising the age at marriage to 18 or 20 years, without a change in other socio-economic conditions, is not going to produce the desired change — a decline of 15 per cent to 30 per cent — in the birth rate as envisaged by the demographers referred to above.

To understand the above situation one has only to note that the birth rate is not lower in these states where the age at marriage is higher (see Table 5). For example, the states of Assam, Tamil Nadu and Kerala, though they had the highest age at marriage in 1961 namely, 20+, did not show a birth rate lower to the extent of 15 to 30 per cent as compared to other parts of India. In fact there is no definite relationship between birth rate and age at marriage in various states, as seen from Table 5. Similarly, countries like Thailand or Sri Lanka, have higher age at marriage than 20 but do not show lower birth rates. Comparison with Thailand may not be valid because of cultural differences between India and Thailand. But as far as Sri Lanka is concerned, culturally it is not much different from South India.

In short, just high age at marriage may not produce a lower birth rate. Still, if circumstances demand it can India immediately attain a higher age at marriage as in Sri Lanka or Ireland? Can the Indian female choose her age at marriage, especially when national circumstances call for it?

Leaving a female to choose her time of marriage is a big step in raising her social status. It may also indirectly mean allowing her to choose her marriage partner. All this means a marriage which is based on the sex-urge. Can India afford it for the majority of females? As mentioned earlier, the need for food comes before the need for sex and there is a substantial portion of population in the country which does not get even adequate food. When 40 per cent of the rural and 50 per cent of the urban households live below the subsistence level,[3] the first consideration for such households is to weed out sharers of food whenever possible or to dump the burden of feeding on somebody else. This can be manoeuvred by parents only by disposing of female children who anyway will join their male partners in future if left to themselves. There are a number of advantages for this class if the parents manage the problem early enough. First, the burden of feeding the children is transferred early. Second, if the marriage is arranged by the parents, the girls can be kept in the closed circle of caste and community of the choice of parents. Left to herself the girl may choose her partner from an undesired community (according to the parents). Third, the problem of illegitimate babies may be prevented by marrying the girls early. In short, keeping the 'good' of the girl in mind, parents can discharge their responsibilities properly only if girls are married before they get choosy. Further, left to themselves girls will take time to make their choice of partner, depending upon their sex-urge and maturity which will mean longer dependence on parents. In fact, in many of the countries where girls are left relatively free to choose their age at marriage, marriages take place at late ages for biological reasons of getting the sex-urge late which situation may be further strengthened by education and employment. But in India these supporting institutions being

TABLE 3 : PERCENTAGE DISTRIBUTION OF NEVER MARRIED PERSONS ACCORDING TO SEX AND AGE IN 1971 AND 1961.

Age Group	Rural				Urban			
	1971*		1961**		1971*		1961**	
	Male	Female	Male	Female	Male	Female	Male	Female
10-14	94.69	86.21	92.08	77.63	98.50	95.79	97.96	93.01
15-19	78.94	36.91	56.5	14.2	92.62	63.76	73.1	29.4
20-24	44.09	6.22	39.25	4.46	67.22	19.10	58.92	12.72
25-29	15.77	1.31	11.5	1.2	28.74	4.50	19.0	3.0
30-34	6.42	0.61	6.99	0.83	10.02	1.89	10.60	2.03
35-39	3.72	0.42	4.2	0.6	5.16	1.07	4.8	1.3
40-44	3.41	0.48	3.87	0.52	3.94	1.03	4.08	1.15
45-49	2.81	0.33	3.3	0.4	3.14	0.91	3.3	0.9
50-54	2.76	0.37	3.22	0.38	2.99	0.77	3.20	0.94
55-59	2.55	0.31	2.9	0.3	2.81	0.61	2.7	0.9
60-64	2.59	0.29	2.95	0.34	2.79	0.63	2.63	0.84
65-69	2.44	0.37	2.9	0.3	3.21	0.74	2.7	0.9
70+	2.70	0.45	2.8	0.3	2.75	0.89	2.6	0.8

Source : * Census of India, 1971, Series I—India, Part II Special All-India Census Tables (estimated from one per cent sample data).
** Census of India, 1971, Age and Marital Status.

TABLE 4: DECLINE IN BIRTH RATE ESTIMATED BY BASAVARAJAPPA AND BELVALGIDAD

Calendar Year	Per Cent Decline in Birth Rate from 1961
1961	—
1966	9.6
1971	12.1
1976	8.9
1981	3.9
1986	2.9
1991	6.3
1996	9.4

Source : Eugenics Quarterly March 1967.

rare, the young girl is thrown with a boy as a married partner. If there is a clash of interest between the married partners the girl coming from outside the boy's family is thrown on the parents of the boy for further dealings. In the class living below subsistence there is competition for getting food and of other basic amenities and the newly-wed girl is a foreign worm in the household and so does not deserve high priority for such amenities. This determines her status in the family as well as in the society.[4] This class, though living below the subsistence level, still has a set of values so that it cannot tolerate illegitimate children. But the lowest placed in this class cannot afford even such a set of values and the marriage pattern among them may differ slightly from that described above with perhaps more equality between men and women.

As for the class just managing to earn its subsistence or is at a slightly higher level, the problems of marriage do not change qualitatively. Food sharing and competition to get the basic needs may be a problem even here, though to a lesser degree. The higher one goes in the income line, there are problems of settling the children in life and especially girls by providing them education and making them employable. In the subsequent paragraphs the problems of educating females are discussed.

The class under consideration is mostly rural. Half the rural population (which is 80 per cent of the total) lives in villages with populations of one thousand or less. Very often here girls go to school upto about the 12th year because local schools offer facilities for about six years of schooling. With the small size of villages higher standard schools cannot be afforded. So girls have to go to schools in nearby biggish villages two to three miles away through isolated areas. A walk to schools through isolated areas may not always be safe for girls of about 12 years of age. Hence they drop out of schools. On the other hand, boys may continue their education by going to the bigger villages. Such village schools may be joined by local girls only, but boys may come from nearby villages also. This raises the proportion of males in the school and is unfavourable to females. The dearth of female teachers aggravates the situation. The Government of Maharashtra, for instance, had a policy of having one-third female school teachers. But female teachers were available only to the extent of 17 per cent[5] or so and they too were concentrated in small towns and not villages. Hence schools in even big villages do not have the right kind of atmosphere for female students which can be created only by the existence of female teachers. Further, in Maharashtra female teachers were found to go on leave for about 90 days in the year on average.[6] Our guess is that they went on leave for one year after every three years probably because of maternity. Whatever the reason substitution of female teachers was not possible because of shortage of female teachers in villages. This left a substantial proportion of classes without teachers when female teachers went on leave.[7] Such a situation often led the administrators to take an unfavourable view of female teachers. The result on the whole was a smaller number of female teachers and an atmosphere adverse to the promotion of female education above some minimum levels. The low level of female education led to shortage of female teachers and lower employability of females. This vicious circle meant increased dependence of females on agriculture for employment. Agricultural occupations are just not congenial for unmarried female workers in Indian conditions. Hence the age at marriage does not rise fast even in the class living at or slightly above subsistence.

The two classes discussed above cover a major portion of the Indian population. As a result, early marriage achieves a kind of group acceptance in the country.

As for the middle class which can afford to educte their females, considerations bearing on age at marriage differ. A number of reasons that keep the age low among the poorer classes such as problems of caste-ridden marriages or illegitimate reproduction, etc, do hold for this class too. But the main problem here is that of maintaining the girls either in this or the higher income class which is very small in size. In order to settle the girls in the same or higher class, parents may prefer to arrange the marriage of their daughters so that they are not left completely free to choose their partners.

With education and employment females will choose to marry late even in a poor country like India. The relatively poor among women in even the advanced countries do marry late if need be. This will surely happen in India. In fact though the age at marriage rose very slowly during 1890 to 1960, it has risen comparatively rapidly during the two decades 1950 to 1970. But the proportion of educated females being smaller, the Irish experience cannot be expected to be repeated here, despite the abysmal poverty and the fact that the need to raise the age at marriage is more severe than in Ireland.

TABLE 5 : MEDIAN MARRIAGE AGE IN STATES DURING 1951-61, GROUPED ACCORDING TO HIGHER OR LOWER AGES AT MARRIAGE

States	Median Marriage Age (in years)		Birth Rate
	Females	Males	
All India	18.0	24.0	41.7
Group I			
(1) Uttar Pradesh	16.8	21.3	41.5
(2) Bihar	16.6	20.8	43.4
(3) Madhya Pradesh	16.3	20.8	43.2
(4) Rajasthan	16.6	21.8	42.7
Group II			
(5) Andhra Pradesh	17.5	24.4	39.7
(6) Maharashtra	17.9	24.6	41.2
(7) West Bengal	17.8	26.2	42.9
Group III			
(8) Jammu and Kashmir	18.2	24.5	—
(9) Karnataka	18.4	27.0	41.6
(10) Orissa	18.4	23.9	40.4
(11) Punjab	19.8	24.3	44.7
(12) Gujarat	19.3	23.6	45.7
Group IV			
(13) Kerala	22.0	28.4	38.9
(14) Tamil Nadu	20.6	27.4	34.9
(15) Assam	19.6	27.8	49.3

Sources : Artha Vijnana, December 1969, Vol XI No 4 for ages at marriage. For birth rates "Patterns of Population Change in India 1951-61" edited by A Bose, Introduction, page xxv

TABLE 6 : PERCENTAGE OF UNMARRIED FEMALES AT ADVANCED AGES IN VARIOUS COUNTRIES AT GIVEN DATES

Country	Date	Age Group (Years)						
		45-49	50-54	55-59	60-64	65-69	70-74	75+
United States	1-3-67	5		6		7		7
Sri Lanka	8-7-63	4	4	4	5 (4.50)	4	4	6
China (Taiwan)	16-9-56	1	1	1	1	0.4	0.36	0.28
India	1-4-61	0.50	0.47	0.43	0.42	0.40	40	
Japan	1-10-65	3	2	2	1	1	1	1
Korea	1-12-60	0.19	0.13	0.19	0.32	0.20	0.30	0.43
Philippines	15-2-60	7	8	7	7		6	
Thailand	25-4-60	3	2	2	2	2	2	
France	1-1-67	8	8	9	10	11	11	10
UK, E Wales	30-6-66	10	9	8	8	7	7	8
Australia	30-6-66	6	7	8	10	11	12	13

Source : "Population by Marital Status, Sex, Ages, Urban/Rural Residence", pp 190-276, Demographic Year Book, 1968.

The result of generally low age at marriage is the universality of marriage in India. Here the sex-urge not being the base of marriage, the individual's early or late requirements of sex do not come into play in marriage. Almost all parents uniformly marry off their daughters at puberty or thereabouts. Hence only one half of one per cent women in India never marry in their lives. The percentage is higher for other countries except in Korea (Table 6).

Very often the elders warn that maintenance in old age is difficult if one is unmarried. Living alone speaks for growth of individualism which has limited outlets in Indian conditions. Hence women rarely remain unmarried in India. With low levels of health and vigour one does not expect higher sexual needs among Indian women than those in the other countries mentioned above. If women in other countries are dying unmarried because of no felt-need for marriage, India also could easily have a similar percentage or more of such women. There is one factor which goes against this. In India for a large majority of females even speaking with men of their age is taboo if they are unmarried. Hence if one does not get married one cannot freely mix with half the adult population. Hence even to satisfy slight curiosities about the other sex, one has to marry and even be forced to cohabitate. For Indian women marriage provides security in young age and children provide it in old age if they are widowed.

If one considers the problems of social and economic security for women, it is necessary to discuss the total cycle of female life with its extent of widowhood and the number of sons on whom they can depend in old age if need be. Such data are not available. A sample of 2,380 couples in 60 villages of Uttar Pradesh were observed in 1956 to study the life cycle of the female. It was found that due to high infant mortality 22 per cent of the couples[8] had no son at the end of reproductive period. In following the life-cycle, even the broken couples were followed after their widowhood. It was worthwhile noting this cycle because it gives the combined effect of marriage, widowhood, birth rate and death rate, to estimate the size of family including the parents (see Table 7). It gives the probability of security to women at various ages with husbands or children. In other words one can know how many women lose their married partners at various ages and to what extent they can depend on children or sons if the need arose in old age. The reading of the Table will be illustrated by the following example.

At 10 years after marriage (husband 17.5 years of age and wife 14.5 at marriage) out of 100 couples at the beginning 4 got widowed, i e, out of 200 parents (or married partners) only 192 were living in the sample in Uttar Pradesh. They had altogether 229 children born out of which 158 were living so that the average size of the family including widowed persons became 3.5 at 10 years after marriage. The average size of the family was maximum, i e, 5.39 after 30 years of marriage. The Table shows that in spite of early marriage the size of the family was not very large for the observed sample. Widowhood and orphanhood due to mortality of either or both the parents was pretty large. It is this factor which transferred the burden of dependent persons to close relatives, producing what is called a joint family. One can see why the vast majority of the poorer classes have a low level of motivation for family planning. The life cycle discussed above is probably illus-

TABLE 7: NUMBER OF PERSONS PER 100 SURVIVING COUPLES

Year of Family Cycle	Children		Parents Surviving	Total Family Members
	Born	Surviving		
0	0	0	200	200
5	75	58	198	256
10	229	158	192	350
15	368	245	186	431
20	474	305	179	484
25	578	364	172	536
30	610	375	164	539
35	618	369	156	525
40	611	352	148	500
45	605	335	141	476
50	605	321	135	456
55	608	307	131	438
60	611	289	124	413
65	612	271	118	389
70	615	251	110	361
75	620	229	100	329

Source: Andrew Colliver, "The Family Cycle in India and the United States" *American Sociological Review*, Volume 28, No 1, February 1963.

Note: Man and woman are assumed to be married at 17.5 and 14.5 years, respectively, starting the family cycle at these ages.

trative of conditions in many parts of India in the year 1956.

The current view in India is in favour of changing the age at marriage to 20 by legislation. However, this is not likely to have the desired effect of reducing the birth rate for various reasons. No piece of social legislation is implemented in this country. This is what the Britishers did because they did not want to displease the people. Nor does the post-Independence administration care to implement these laws. It is costly to try to implement them because of the close supervision necessary for implementation. In fact the initial idea of community development experimented with by Albert Mayer could be usefully developed even to have village communities that watched for illegal early marriages and such other irregularities checking which is so desirable for proper development of society. Otherwise one has to depend on growth of education and employment in the country. If education and employment could be made available for a majority of women and if marriage was not depended upon for sheer subsistence, there will be a society in India that could be called progressive, and it will control the age at marriage as directed by social circumstances.

Before closing one may compare the Indian age at marriage with that in China, the only country in the world which resembles India in size and poverty. It is important to note that the ages at marriages of 30 and 25 years for men and women respectively are considered to be medically right in China. The medical view that the most suitable age for child-birth is if the female is confined between ages 24 and and 28 years is reportedly followed in practice too.

Notes

1 "Age at Marriage" by Malini Karkal in *The Journal of Family Welfare*, March 1968.

2 Ansley Coale and C Y Tye in *Milbank Memorial Fund Quarterly*, October 1961, pages 631-646.

3 "Poverty in India" by V M Dandekar and Nilakantha Rath, *Economic and Political Weekly*, 1971, p 8.

4 Poverty does affect the status of males as well as females. But an earning male or just being a husband with the wife coming to his house from outside is enough to pull down the relative status of the female.

5 Report of the Evaluation Committee on Panchayati Raj (1971), Government of Maharashtra, Rural Development Department, Table No 17, p 297.

6 *Ibid*, Table No 19, p 301.

7 Maternity leave could not begin regularly at the beginning of an academic year, and hence teachers could not be easily substituted for.

8 *Studies in Family Planning*, August 1973 (Volume 4, No 8).

9 Family Planning Developments in China, 1960-66, The Population Council; Abstracts from Medical Journals.

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Tax Concession as a Remedy for Evasion

A K Das Gupta

The Union Budget for 1974-75 carries a considerable amount of concession in direct taxes.

Not only has the exemption limit been raised, there has been also a reduction in rates at all levels of taxable income.

Obviously this is an extraordinary measure to have been taken by the government in the present state of the economy when the Exchequer is so much in need of funds.

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THE Union Budget for 1974-75 carries a considerable amount of concession in direct taxes. Not only has the exemption limit been raised, there has been also a reduction in rates at all levels of taxable income. The marginal rate of taxation, including surcharge, has been reduced from 97.75 per cent to 77 per cent. Obviously this is an extraordinary measure to have been taken by the government in the present state of the economy when the Exchequer is so much in need of funds. Yet these concessions do not seem to have attracted the attention of the critics of government finance to the extent one would expect they would.

The Finance Minister's plea is that the measure will reduce tax evasion. He said it is in his Budget speech, quoting the views of the Direct Taxes Enquiry Committee. And he repeated it in his reply in Lok Sabha to the general debate on the Finance Bill. The downward revision of the income tax rates, the Finance Minister argued in Lok Sabha, is "an experimental measure to combat the greatest menace facing us today, namely that of tax evasion". We are told that the lowering of the marginal rate of taxation has the support of judicial, administrative and financial experts whom apparently the government has consulted. It is argued that the measure of tax concession is "not to give any benefit to tax evaders"; it is rather "to reduce the incentive for tax evasion". Let us examine the claim.

We take the case of the marginal rate of taxation — the rate which applies to the slab beyond Rs 70,000 per year. The present rate of 97.75 per cent looks very high indeed on the face of it, although one does not know how an individual income of Rs 70,000 per year could be at all tolerated in an economy where the per capita income is not even one hundredth part of it. But let that pass. The proposed marginal rate, including surcharge, is 77 per cent. The Finance Minister and his advisers expect that this concession of 20.75 per cent will reduce the incentive to tax evasion. Which means that, while at 97.75 *per cent no tax is paid on the* marginal slab by the highest income earners, at 77 per cent they will be induced not to conceal their income and at least 77 per cent of it will be in the hands of the government.

Why? What is the psychological or sociological principle on which this is based? Is it that the tax evaders were hitherto having a game with the government, that their refusal to pay was only a kind of bargaining strategy to be withdrawn as soon as the rates would come down to what they would want them to be? Are we to take it that the tax evaders are well-behaved citizens and that their decision not to pay is merely a protest against what they consider to be unfair? If the Finance Minister allows himself to think that this is how the mind of the tax evader works then he must be under a delusion. *Tax evasion is a* propensity born of greed. Like any other propensity it is restrained only insofar as the person having recourse to it *has to pay a price.* A tax evader runs the risk of being detected and punished. This risk is the measure of the price that he pays for the gain that he derives from non-payment of his dues. He would not consider it worthwhile taking the risk if it were higher than the amount that he is called upon to pay. Suppose, as in our present case, our tax payer is charged 97.75 per cent on his marginal slab. *If he evades the tax, it is* because the risk involved in evasion is less than the tax liability, having regard to the probability of his being detected and the penalty to be paid in the event of detection. Now that the marginal rate has been reduced to 77 per cent, he will desist from the malpractice provided he values the risk at more than 77 per cent of the marginal slab of his income, but will not do so if the estimated risk is less. It is difficult to say how our tax evaders will respond to the revised rates. The response is uncertain; for it will all depend upon their individual valuation of the risks of evasion. If these risks are low, as they apparently are in our country, particularly at higher levels, the reduction in tax rates will be of little avail. What is certain is that the revision in rates will reduce the overall income tax receipts of the government. For those who would in any case pay their dues would now pay less.

The Finance Minister's claim that the tax concession is not to benefit the tax evaders is beyond dispute. What one wonders, however, is why the claim should have been announced at all. Who would ever argue that the concession was designed to benefit the tax evaders? Of course one who does not pay at all is not benefited if he is asked to pay less. The concession will benefit, not the tax evaders but the tax payers — those salary earners whose income taxes are deducted at the source. And when it is remembered that top officers in the government and the public sector corporations enjoy salaries ranging from Rs 42,000 and Rs 48,000 per year, or even more, and that incomes ranging between Rs 70,000 and Rs 1,50,000 are not uncommon in the private sector, one can appreciate what these concessions will mean for the Exchequer. To reduce direct taxes and to cover the loss by a larger dose of indirect taxes, as the Finance Minister proposes to do is a retrograde step.

It is arguable that, where evasion prevails, income taxes are discriminatory as against salary earners. Whereas a businessman can conceal his income, a salaried officer cannot. Assuming therefore that the businessman systematically conceals a given percentage of his income, an undesired differential appears between the disposable income of a salaried officer and that of his counterpart in business, and it tends to be larger the *higher* is the rate of income tax. It is conceivable that this precisely is the consideration which, consciously or unconsciously, weighed with the

administrative and financial experts (who after all are salary earners!), from whom the government is supposed to have sought advice on the matter of tax concession. Consider, for example, the relative position of a Secretary to the Government of India *vis-a-vis* a lawyer or a doctor doing private practice. The normal earning of the latter may be the same as the salary of the former. But, insofar as the lawyer or doctor is in a position to conceal a substantial part of his salary, his disposable income has a tendency to be higher than the take-home pay of the Secretary. This certainly is an anomaly which needs a remedy. But is the answer to the anomaly a general reduction in income tax rates? Theft and robbery occur in an imperfect society, such as we are, and they discriminate against owners of moveable property. Yet no government would ever think of giving subsidy to such property owners as protection against so-called discrimination. Thieves and robbers are punished, and measures are taken so that the frequency of their operation is minimised. The alternative to tax concession as a corrective to discrimination is a tighter, tougher and a cleaner Income Tax Administration, supported by a more rigorous system of penalty for the tax evader, whatever his status.

While the proposed tax concessions will reduce one kind of anomaly — that arising from evasion — there is another kind of anomaly to which it will give rise; it will increase the differential between the lower and the higher salary ranges within a particular organisation. Take, for example, the case of government salaries. One of the more important matters that the last Pay Commission had to consider was the permissible limit to differences in the level of Class IV salaries and the level of Class I salaries. In considering the matter the Commission was *naturally* influenced by the prevailing income rates; the differential considered referred to the pay ranges, *net* of income tax. Assume, then, that the vertical relativity fixed by the Commission on the basis of the current tax rates was optimum. Whether or not it was so one does not know — for "optimum" in this context is not amenable to precise definition. Yet, considering the present social mood, and regard being had to the experience in comparable economies, the differential accepted by the Commission was very definitely not on the low side. The differential is now going to be further widened in view of the proposed tax concessions.

Let us face the fact. On the principle that "an old tax is no tax", one might say that the reductions in the income tax rates are a kind of "tax-free bonus" granted to salary earners. And since the concessions relate to an income tax system which is progressive, the bonus happens also to be progressive, yielding proportionately larger benefit to higher levels of income. An analysis of the old and the new income tax schedules will show that the rate of tax concession rises from 0.22 per cent, as it is for an income of Rs 10,000 per year, to 9.1 per cent in respect of an income Rs 1,50,000 yer pear. In absolute terms, for the income range, Rs 10,000-15,000 per year, the amount of concession lies between just Rs 22 and Rs 132 per year, whereas, at the upper end, for the income range, Rs 50,000-1,50,000 per year, the concession goes up inordinately high, ranging from Rs 2,247 to Rs 13,697 per year.

It must be an extraordinarily stout-hearted government which could grant a "net" bonus of this order to the top salary earners in the society, while denying a "gross" bonus of 8½ per cent of the salary, such as is demanded by its own lower-grade employees. The latter's demand, one fears, is not altogether unconnected with what benefits the top employees arrogate to themselves.

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Directors' Report for the Year 1973

THE Board of Directors have pleasure in presenting the audited Balance Sheet and Profit and Loss Account for the year ended 31st December, 1973.

Impact of Monetary Policy

The working of the banking system during the year was conditioned more than ever before by the culmination of a series of credit control measures clamped down by the monetary authorities "with a view to influencing the cost and availability of commercial bank credit". In the wake of deepening stresses and strains in the economy, interest rates on certain classes of deposits were put up — though fractionally — Bank Rate itself was raised from 6 per cent to 7 per cent, a part of the lendable resources of the banking system was mopped up by enhancing the statutory cash reserve ratio from 3 per cent to 7 per cent in three stages accompanied by stepping up the statutory liquidity ratio itself to 32 per cent from 30 per cent. The impact of these ratio revisions was to limit the lending capability of the banking system to about 61 per cent of the deposit resources, as against 67 per cent at end of 1972. Recourse to refinance from the Reserve Bank was curtailed by the imposition of quantitative ceiling apart from raising the cost of borrowing as well. The net liquidity ratio (*NLR*) that governs the rate of interest payable on certain types of borrowings from the Reserve Bank was marked up from 36 per cent to 40 per cent in three stages, and the maximum rate of interest so payable was hoisted back to 15 per cent from 12 per cent prevailing earlier in the year. The cost of bank credit was directly marked up by the imposition, in two stages, of a minimum interest rate of 11 per cent on lendings by the banking system, — except on certain exempted categories of bank credit. The maximum permissible interest rate on export credit was taken upto 8 per cent* (from 7 per cent) and the minimum rate on bills under the New Bill Market Scheme was raised in two stages, from 8 per cent to 9.5 per cent.

* The maximum interest rate on export credit has since been further raised to 9 per cent from 1st April, 1974.

The impact of these successive monetary restraints was a serious depletion of the liquidity position of the banking system, — as indeed the measures were intended to be. But coming on the heels of excess liquidity so temptingly prevailing only some months before, the sudden evaporation of liquidity had an unsettling effect both on the banking system as well as borrowers from the banking system, public and private sector borrowers alike. Despite some possible moderate fluctuations in liquidity in the coming months and years, any return to conditions of excess liquidity seems to be a far cry for quite a time to come. Indeed, the banking system and the borrowers may have to gear themselves to conditions of credit stringency, maybe of increasing rigour, if the banking system is to continue to support fresh investment in the productive segment of the economy. This poses an exciting challenge to the banking system to accelerate the pace of deposit mobilisation by winning over the most marginal of depositors through efficient and inexpensive customer service, rationalisation of internal procedure, and extension of branch network. The banking system should also ensure that the genuine credit requirements of the productive sector are not starved. The borrower has likewise to reckon with paucity of credit and foster financial discipline of the highest order in the management of the business enterprise.

Thanks perhaps to the moderate size of its operations, Indian Bank has sought to bring about a flexible approach by examining the credit requirements of its borrowers in the productive sector on the merits of each case, and has endeavoured to reduce the hardship arising from the overall constraint in its lendable resources. Drawals against sanctioned limits were not frozen by any rule of thumb method. The flow of credit to the priority sectors in particular was allowed unrestrained as presented in greater detail elsewhere in this report.

A Year of Spectacular Growth

Deposits Rise 34.31 Per Cent

For Indian Bank, 1973 was a year of spectacular growth. Total deposits including Colombo and Singapore branches rose smartly from Rs 164.86 crores at end of 1972 to Rs 216.74 crores at end of 1973. Deposits in India (excluding deposits by other banks) increased from Rs 154.25 crores to Rs 207.17 crores, or 34.31 per cent, among the highest growth rates in public sector banks, if not the highest. The deposits of all scheduled commercial banks in India (other than inter-bank deposits) rose however by 22.18 per cent only, between last Friday of December 1972 and 1973. Hereunder the comparative position of the Bank's deposits as at the end of the last five years (see Table below).

Advances Rise 31.26 Per Cent

The growth rate of Indian Bank's advances again surpassed the average for scheduled commercial banks. The Bank's total advances including those at Colombo and Singapore branches rose smartly from Rs 114.96 crores at the end of 1972 to Rs 152.49 crores at the end of 1973. Advances at Indian branches alone rose from Rs 110.94 crores to Rs 145.62 crores, or by 31.26 per cent, against 27.15 per cent for the scheduled commercial banks in India between last Friday, December 1972

Table

End of the Year	Deposits of Indian Bank in India (excluding deposits by other banks) (in crores of rupees)	Per cent increase of Indian Bank's deposits over the previous year	Per cent increase of deposits of scheduled commercial banks in India over the last Friday of the previous year
1969	82.20	13.20	15.00
1970	93.20	13.40	17.00
1971	116.10	24.60	20.80
1972	154.24	32.85	17.43
1973	207.17	34.31	22.18

and 1973. The Bank's credit deposit ratio in India stood at 70.29 per cent as against 68.97 per cent for the scheduled commercial banks on the last Friday, December 1973. There was considerable diversification in the Bank's advances sector-wise and region-wise. The Bank's foreign exchange business also continued to expand.

Priority Sector Credit

A reference was made in the earlier paragraphs to the unrestrained flow of credit to priority sectors despite the credit squeeze. Indeed the growth in the priority sector credit during 1973 was as high as 57.65 per cent, surpassing even the 1972 increase of 41.58 per cent, and as against 31.26 per cent growth in the aggregate advances of the Bank during the year 1973. At the end of 1973 credit to priority sector made 35.58 per cent of our total bank credit in India as against 30.31 per cent at the end of 1972. The thrust in agriculture credit was far more.

Entrepreneur Advisory Service

In the sphere of small-scale industry assistance, the Bank launched during the year a package of free consultancy services to prospective entrepreneurs, particularly unemployed engineers, diploma holders, University graduates and business executives, to set themselves up in self-employment. This scheme known as the Entrepreneur Advisory Service was inaugurated by the Hon'ble Union Minister of Finance Shri Y B Chavan on 3rd October 1973. This is a new dimension in the pre-setting up assistance to technocrats who have the capacity but are not conversant with the innumerable preliminaries to the setting up of a project including:

- identification of project
- market for the product
- location of the project
- sources of machinery and raw material
- power, water, sheds and other infrastructure
- procedural requirements
- raising financial resources

One of the special services under the scheme is to enable the new entrepreneur to meet established industries which may be interested in buying the product proposed to be manufactured and also arrange for special consultancy with business executives of standing in the line of manufacture. The scheme initially operative for unemployed technocrats in and around Madras has made a good progress. Since its inauguration in October 1973, 26 projects have been set up through the Bank's Entrepreneur Advisory Service. 15 units are promoted by engineering graduates, 2 units by diploma holders in engineering, 8 units by University graduates and one unit by a housewife. The range of products manufactured includes magnetos, alternators and ignition coil for automobiles, furnace equipments, foundry die casting items, spiral wound metallic gaskets used in chemical processing industries, sodium bichromate, industrial gloves and educational aids. The 26 units have provided employment opportunities for about 150 people, most of them skilled.

Branch Expansion

Our programme of branch expansion was pressed forward with greater vigour in 1973. 67 new branches were opened, against 43 in 1972. The Bank has opened 208 new branches in the last five years taking the total number of branches in India to 427 at end of 1973. Of the 208 new branches 118 were in rural centres, 38 semi-urban, 17 urban and 35 metropolitan. Again, 113 out of the 208 new branches were opened in the lead districts allocated to Indian Bank. The new branches have been actively developed to become an instrument of credit assistance, particularly rural and semi-urban branches. They have contributed substantially to the growth of advances to priority sectors. They have also helped direct employment opportunity. Of the total 6,221 staff members on the Bank's rolls at end of 1973, 1,348 members are working in the branches opened in the last five years. 654 members are at our newly opened rural and semi-urban branches, the number of staff at the new branches has progressively risen from 102 at end of 1969 to 1,348 at end of 1973.

The Bank has drawn up a more ambitious programme of branch expansion for the year 1974. In consultation with the Reserve Bank of India and the Government of India the Bank has taken up a special programme of branch expansion in the under-banked State of Orissa and the under-banked Telengana area in Andhra Pradesh. The Bank also contemplates opening a chain of branches in important centres in Uttar Pradesh, Madhya Pradesh, Punjab, Haryana, Rajasthan and Gujarat in order that the Bank will be able to handle its growing volume of business.

Staff Training

The Directors have always set great store by staff training as the very basis of the Bank's development. A reference was made in the earlier reports to the special steps taken to attune the vision of managers to the larger purposes of banking, as an instrument of socio-economic change. The range and depth of training was further accelerated during 1973. It was noticed that apart from the attitudinal reorientation, credit officers required lot more technical skill to handle the variety of credit requests from the priority sectors, as also the highly specialised technique of financing the large-scale and petro-chemical industries. A specially designed course, with particular reference to term lending, foreign exchange operations, etc, was therefore initiated during the year. These courses were conducted in Bombay and Delhi also so as to integrate the environmental aspects into the technical skills of credit management. As many as 1,689 staff members of different cadre went through one or other type of training in the college during the year 1973.

Bank's Patrons

The number of deposit accounts in the Bank's books in India rose from 8,97,794 at the end of 1972 to 11,78,416 at end of 1973 and lending accounts from 1,62,252 to 2,40,158. The Board of Directors are grateful to the Bank's patrons in India and abroad for their goodwill and wholehearted support to the Bank.

Staff

The Bank's staff strength in India was considerably augmented to handle the increasing volume of the Bank's business. As many as 1,231 clerical cadre staff were recruited during 1973, as against 393 only in the year 1972. 364 members of the clerical cadre were promoted to the officer cadre as against 197 in the previous year. Promotions from subordinate staff to clerical cadre were 31 against 25 in the previous year. 113 members were directly recruited as officers against 73 in the previous year. 247 members were recruited to the subordinate staff cadre against 175 in the previous year. As at the end of 1973 the Bank has the privilege of being served by 6,221 staff members in India — 1,590 officers, 3,289 clerical cadre staff and 1,342 subordinate cadre staff — against 4,797 at the end of 1972 and 4,288 at the end of 1971. The Board of Directors place on record their deepest appreciation of the team work and dedication to duty of the staff of all cadre of the Bank which accounted for the Bank's spectacular progress in the year 1973. The Directors are confident that the staff will continue to enhance the image of the Indian Bank in the comity of Indian Banking.

For and on behalf of the Board
G LAKSHMINARAYANAN
Chairman and Managing Director

Madras: 17th May, 1974.

Industrial Finance Corporation of India

6 PER CENT BONDS 1986

Payment of Interest and Repayment of Principal Guaranteed by the Government of India

AMOUNT OF ISSUE Rs. 7,25,00,000
ISSUE PRICE *Rs. 100.00 PER CENT*
REDEEMABLE AT PAR ON THE 10TH JUNE 1986

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 Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi, and Patna from Monday, the 10th June 1974. The list will be closed without notice as soon as the total subscriptions amount to Rs. 7.25 crores, and in any case, not later than the close of business on Friday, the 14th June 1974. The Corporation reserves the right to retain subscriptions received upto 10 per cent in excess of the sum of Rs. 7.25 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 10th June 1986. These will bear interest at the rate of 6 per cent per annum from the 10th June 1974. Interest will be payable half yearly on the 10th December and 10th June 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 regional/branch/sub offices at (i) Mehta Mahal (5th Floor), 15, Mathew Road, P. B. No. 3928, Bombay-400004 (ii) 4, Mangoe Lane, (2nd Floor), P. B. No. 2483, Calcutta-700001 (iii) Raji Building (3rd Floor), 147, Mount Road, P. B. No. 1080, Madras-600006 (iv) Jivabhai Chambers, Ashram Road, Ahmedabad-380009 (v) 22, Mahatma Gandhi Road, P. B. No. 5091, Bangalore-560001 (vi) 6-3-631, Zilla Parishad Road, Khairatabad, P. B. No. 11, Hyderabad-500004 (vii) Jeevan Tara Building, First Floor, Gate No. 3, 5 Parliament Street, P. B. No. 182, New Delhi-110001 (viii) E-1/23, Arera Colony, Bhopal (ix) 20, Forest Park Area, Bhubaneswar-751009 (x) Bungalow No. 216, Sector 11-A, Chandigarh-160011 (xi) 'Karuna' (2nd Floor), XXIII/1311-D, Mahatma Gandhi Road, Ernakulam, Cochin-682011 (xii) Kanram Medhi Road, (Ranibari Lane), P. B. No. 30, Panbazar, Gauhati-781001 (xiii) S. B. 38/A, Bhawani Singh Marg, Bapunagar, Jaipur (xiv) Aggarwal Building, Canal Crossing, The Mall, P. B. No. 319, Kanpur-208004 (xv) 43, Pataliputra Colony, Patna-800013.

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 15th May 1974.

C. D. Khanna
Chairman

davp 806 (1)/74

Kamani Engineering Corporation Limited

Statement by the Chairman, Shri R R Kamani

THE following is the Statement by Shri R R Kamani, Chairman, Kamani Engineering Corporation Limited, delivered at the Twenty-eighth Annual General Meeting of the Company on May 31, 1974:

Gentlemen,

Last year has been a year of extreme economic distress. All round shortages, strikes, disturbances, oil crisis, unprecedented increase in prices, and the low food and industrial production, have dragged down the national income growth to about half a per cent. In my last year's Annual Report, I had anticipated a difficult year, but realities have outstripped the worst fears. The pace at which problems have multiplied has been faster than the ability to cope with them. Our country, as a result, is facing an undeclared economic emergency. In the midst of all these, your Company's performance both in turnover and profit may be considered very satisfactory.

Impact of Budget

The budget has met with mixed reception. I personally think, it is realistic, in spite of the fact that certain handicaps confronting the industrial sectors have yet to be removed. The Finance Minister has been realistic in his approach in accepting some of the Wanchoo Committee recommendations on personal taxation, albeit in a modified form. Although the budget has been aimed at curbing inflation, its impact in this direction has not yet manifested.

Engineering Industry and Exports

Whereas engineering exports had registered a growth rate of 22 per cent in 1972-73, and during the first six months of 1973-74, nearly maintained this growth rate; exports without positive and effective measures to insulate exporters against rising costs, will lead to dwindling exports and diminishing returns on them. This indeed would be most unfortunate, as labour and organised efforts that have gone into building India's image as a reliable exporter of engineering goods will be undone by the serious setback that the engineering exports shall suffer, if urgent steps are not taken to counter the effect of the current situation the country is facing.

Whereas growth of capacity in various industrial sectors is dictated by the targets set out in the Fifth Five-Year Plan and the Plans to come, the pattern of engineering exports should not only be guided by the objective to find markets for surplus capacity, but capacity should be created, augmented and modernised in product lines that offer potential for exports to developed and developing countries. There should, therefore, be a 15-year National Plan for exports, for identifying potential products and areas and for development of export-oriented industries in a planned manner. With this broad framework in operation, one can hope that the country will be able to

meet its growing foreign exchange needs the importance of which has now been thrown into a position of paramountcy by the recent oil crisis and all over increase in the price of imported commodities.

While traditional exports have limitations with regard to growth, engineering exports and particularly construction and turnkey jobs shall enjoy the advantage of everwidening scope and frontiers, and would provide to the world a most effective yard-stick of our industrial development and also of the success of our political and economic systems. Exports impose compulsions for improvement of our management, technology, production methods, selling techniques and above all timely availability of required inputs and set new trends for domestic production and production patterns. Furthermore, engineering exports have already shown a high rate of growth which can be further increased.

The Government should take due note of these factors and also take advantage of India's geography placed as it is between the two largest developing areas in the world, with a vast coastline, extensive resources of manpower and minerals, and a broad based industrial infrastructure.

Engineering exports must enjoy defence priority if this country has to win its war against poverty through accelerated industrial growth and export earnings. Engineering exporters, having successfully weathered the hazards of hitherto unknown markets, against competitors from highly developed countries, in spite of being battered by forces of recession within the country and having put India on the engineering map of the world, deserve to be rewarded by a positive, pragmatic and practical attitude by the Government towards export problems. Assured of such backing, I am sure, engineering exports shall play a dominant role in changing deficit balance of payments into a veritable surplus.

You will be happy to know that the Government have set up a high level Committee for boosting engineering exports during the 5-Year Plan and, for the first time, perhaps, some serious thinking shall go into creating surpluses in products with high export potential, providing adequate inputs, simplifying procedures and ensuring a viable home base.

I would also strongly recommend establishment of a 'Steel Bank' for supply of raw materials at the right time and at prices which would obviate the need for claiming duty drawback and the price differences. Similarly, there should be a warehousing facility where export material can be stored and such materials be treated as having been exported for claiming incentives. The above would help in reducing the working capital requirement and thereby making the exports more competitive. As a significant step towards accelerating the export efforts, the Government must hasten the establishment of an 'Export Bank' which will have a positive impact on our promotional efforts. As one of the largest exporters of engineering goods, having earned about 50 million Dollars of foreign exchange, exports comprising nearly 50 per cent of our annual turnover of over Rs 20 crores, we see in these efforts the beginning of a bright future for engineering exports.

Company's Performance, Problems and Prospects

Your Company has been awarded the highest award for Engineering Exports for 1970-71. Our exports during 1971-72 and 1972-73 are even higher than that of 1970-71 for which Government of India bestowed on us the country's highest recognition. Our share of activity within the country in tower manufacture again is second to none. Our turnover during 1972-73 has been the highest so far and in 1973-74 we are aiming at still higher turnover. This indeed will mean higher earnings of foreign exchange and speedier power developments within the country

Your Company is playing an important role in two critical sectors of India's economy : Power development and Exports. Whereas we have the twin objectives of ensuring return on capital employed and to fulfil national objectives within the framework of our share of responsibilities, results and objectives in prospect and retrospect shall have to be evaluated and framed in the backdrop of the economic distress, shortages, spiralling prices, credit squeeze and oil crisis confronting the country.

If steel, zinc and aluminium had come when needed and as required, payment of dues had been made without delay and genuine claims settled, steel, zinc, copper and oil prices had not assumed run-away trends, and ocean freight had maintained past trends; the results of the efforts of employees, workmen and officers of the Company would have taken your Company to new heights of which all of you and the country would have been proud. In the national context, it would have set forth a trend to reduce inflationary pressure.

Our success in the export market — Rs 1.81 crores in 1968-69 to Rs 9.64 crores in 1972-73 — and growth in turnover — Rs 8.39 crores in 1968-69 to Rs 21.15 crores in 1972-73 — amidst overwhelming problems, is a measure of the Company's technical and organisational vitality. This today is one of our most valuable assets. Furthermore, there are some welcome features relevant to the operations of your Company that I would like to share with you. The demand for our products both within the country and abroad has shown significant improvement. Meanwhile, the Government has permitted fuller utilisation of our capacity at Kurla and at Jaipur factories to the extent of 90,000 tonnes in place of 60,000 tonnes, from September 1973. Our Road Roller unit at Wadala has been modernised. We have also received a licence for numerically controlled lines for manufacture of sophisticated towers to cater to the market in USA and Canada. A letter of intent has also been received for our Bolts and Nuts Project. Government has displayed an enlightened understanding of the potential this Company has for increasing exports.

Times look propitious and favourable for growth, in spite of the present uncertainties. Although 1973-74 may not show the impact of the change, from the beginning of 1974-75 let us hope that the country, and as a result, your Company, will start going to better and still better times with upward production trends and increasing returns. Considering the present strains and good possibilities of growth of the Company, the management team is being geared up and augmented to tone up and reorganise themselves to meet the challenge of increasing activity on the one hand and on the other to ensure Government's understanding of the peculiarities of our business and extend its support to supplement our own efforts for playing our role in meeting the current economic challenge of the country consistent with profitability that we must ensure on our operations.

Our experience with various officials and quasi-official agencies like Ministry of Foreign Trade, Ministry of Industry, Office of Iron and Steel Controller, ECGC, EEPC continue to be one of constructive collaboration. With the inflationary pressures, credit squeeze measures and fast changing world situation, we would need greater understanding and timely help from the financial institutions and our bankers and I am sure they would come forward making the venture — theirs and ours — a success to our mutual advantage.

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

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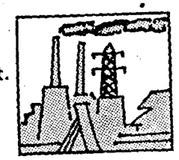
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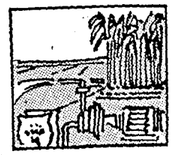


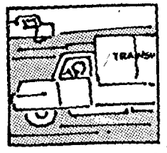
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GOVERNMENT'S NARROWING OPTIONS

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WOMEN AND ECONOMIC DEVELOPMENT

RAILWAY STRIKE: THE FALL-OUT

UNSPELT OBJECTIVES OF SPACE RESEARCH

MALAYSIA-CHINA: GIVE AND TAKE

JOINT SECTOR AND CONTROL OF MONOPOLY



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Founder-Editor: Sachin Chaudhuri

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Requiem for the AHT

EVERY Five-Year Plan, every commission and committee even remotely concerned with the subject and, of course, government spokesmen have been unanimous about the need to make the agricultural sector contribute more to the resources for development. The Fourth Five-Year Plan had this to say: "As a result largely of public investment in the agricultural sector since the inception of planning, agricultural incomes have increased substantially... There is, therefore, need for raising more resources from the agricultural sector for financing its development by imposing an additional burden on the well-to-do farmer." Besides a direct tax on agricultural incomes, the Fourth Plan had suggested improving the rate of return from the state government's commercial irrigation works and electricity undertakings by raising irrigation rates and the electricity tariff. The Draft Fifth Plan is even more emphatic. It says: "The incidence of direct taxes on agriculture is extremely low, being hardly one per cent of the net domestic product from agriculture. Savings mobilised from the rural sector through financial institutions and instruments are also relatively low." The Plan has, therefore, commended the recommendations of the Raj Committee which had suggested an Agricultural Holdings Tax. The latest Economic Survey for 1973-74 is no less explicit: "The inadequate taxation of the agricultural sector remains one of the most serious anomalies of the Indian fiscal structure... In this context taxation of agricultural incomes, increases in irrigation rates and revision of electricity tariff appear as three major areas holding prospects for substantial contributions to the state exchequers." And most recently, the Union Finance Minister himself has specially written to the state governments urging them to raise more revenue, particularly from the agricultural sector. They have been asked to "adopt time-bound programmes to implement the recommendations of the Raj Committee and/or raise a combination of measures like withdrawal of concessions on land revenue, imposition of surcharge on land revenue at graduated rates, greater use of cesses on commercial crops and imposition of a betterment levy and, lastly, revision of irrigation rates and power tariff".

The land revenue collection of all the state governments had touched a peak of Rs 123 crores in 1963-64. Thereafter, it remained consistently below this figure, falling as low as Rs 90 crores in 1966-67, which may be considered to have been an exceptional year. But even in 1972-73 the estimate of land revenue collection was only Rs 99 crores and in 1973-74 also it is unlikely to be more than Rs 115 crores. Revenue from the agricultural income tax has hovered around Rs 10-12 crores during this period. The peak of Rs 14 crores was reached in 1969-70 and the Budget estimate for 1973-74 was Rs 12 crores. The performance in this regard over the Fourth Plan period is summed up by the Economic Survey for 1973-74 thus: "The mobilisation of additional resources from the agricultural sector in the form of land revenue and agricultural income-tax shows a negative figure of Rs 30 crores". In addition there are two Central taxes, the estate duty and the wealth tax, which apply to agricultural property. However, collection of excise duty on agricultural land does not amount to even Rs 1 crore. As for the wealth tax, the Explanatory Memorandum to the Central Budget for 1974-75 has this to say: "In view of the small collections, the Revised Estimate and the next Budget do not include any provision for the payment to the states of grants on account of agricultural wealth tax".

On the other hand, in the decade between 1973 and 1974, the CSO's estimate of national income originating in agriculture (at current prices) rose by Rs 10,000 crores, from Rs 8,473 crores to over Rs 24,500 crores. Of course, national income estimates, based on the value added concept, do not correspond to the tax concept of net income. But even if wages and salaries and interest cost are taken at 60 per cent of the value added, there has been an increase in the annual money income of farmers of nearly Rs 10,000 crores in the past 10 years, while the receipts from agricultural taxes have actually declined. The larger farmers who have appropriated the bulk of the increase in agricultural incomes have also benefited from a series of subsidies and other gains conferred on them in the name of faster growth of agricultural production. The two most important subsidies, as has been repeatedly noted, are given through the supply of irrigation water and electricity at especially low rates. The budgeted loss of the state governments on irrigation works was Rs 173 crores in 1973-74. The total loss during the Fourth Plan period was about Rs 700 crores — on an investment of about Rs 3,500 crores. The loss in the Fifth Plan period will be over Rs 1,000 crores, or an average of around

Rs 200 per year. The Committee on the Working of the State Electricity Boards had recommended as far back as in 1964 that the Boards' rate of return on capital should be raised to 11 per cent. The latest Economic Survey gives the actual rate of return on capital invested in the State Electricity Boards at 4.3 per cent in both 1972-73 and 1973-74. If the norm of an 11 per cent return were realised, the additional resources available during the Fifth Plan period would be of the order of Rs 2,000 crores. Of course, not all of this would come from agriculture. But insofar as electricity is now supplied for agricultural operations at specially low rates, the contribution of the agricultural sector would be substantial.

The budgetary deficits of all the state governments was Rs 267 crores in 1973-74, while their budgets for 1974-75 show a deficit of Rs 175 crores. As many as 13 states have presented deficit budgets for this year. Even of the estimated Rs 101 crores of additional resource mobilisation, only a very part would come from the agricultural sector. The agriculturally prosperous states of Punjab and Haryana have budgeted for deficits of Rs 38 crores and Rs 18 crores, respectively in 1974-75.

The reported decision of most of the state governments against levying the Agricultural Holdings Tax (AHT) has to be seen against this background. The Raj Committee had conservatively estimated that the AHT on holdings with a rateable value of Rs 2,500 and more would fetch a revenue of Rs 200 crores a year. Yet most state governments have tried to make out that the AHT would scarcely be an improvement over their existing arrangements for taxing agriculture. Thus Assam has claimed that it already has an effective enough agricultural income tax, though, as the Raj Committee pointed out, 99 per cent of the revenue from the tax comes from the tea gardens. Rajasthan has argued that it would actually suffer a loss of revenue if it introduced the AHT. This is hardly credible considering that though Rajasthan is one of the states which has experienced a fairly high increase in agricultural production and productivity, the state government's receipts from land revenue have declined from Rs 9 crores to Rs 6 crores in 1972-73 (though a part of the decline may have been because of the drought in the latter year). Tamil Nadu is another state which claims to have an effective land revenue system which it sees no need to replace with the AHT. But the decline in land revenue collections has been perhaps the steepest in this state, from Rs 10 crores in 1967-68 to Rs 2.86 crores in 1973-74, while the receipts from the agricultural income tax have been barely Rs 2 crores a year.

The state governments' reported reasons for rejecting the AHT are thus entirely specious. However, the Centre itself had prepared the ground for this by the manner in which in the 1973-74 Budget the Union Finance Minister had sought to fob off the Raj Committee with the acceptance of one of its secondary recommendations — that for partial integration of agricultural and non-agricultural incomes for purposes of taxation. Nor can the state governments be unaware that the Prime Minister herself is reported to have, at the meeting of the Planning Commission last month, dismissed proposals for taxation of agriculture as impractical and unrealistic. This is a judgment with which the states could not agree more.

In the attempt to check inflation, the government is said to be desperately anxious to curb the rate of growth of money supply. However, given the inability of the monetary authorities to check the expansion of credit to private industry and business on the one hand and the reluctance of the government to raise additional revenues — a major source of which, by any reckoning, is taxation of the agricultural sector — the focus will continue to be on cutting government expenditure which, as long experience has shown, is another expression for cutting public sector investment. Considering the acute shortage of practically everything from railway transport and power to steel, fertiliser, cement and paper this is indeed some way to fight inflation!

Indo-Yugoslav Trade

The Last Wagon

THE tripartite trade and economic cooperation agreement among India, Egypt and Yugoslavia, is now as good as dead though India has shown a lot of keenness recently to revitalise it. Some of the recent trips abroad by the Commerce Minister D P Chattopadhyaya had the rejuvenation of the agreement as an important aim. But as neither India nor the other two partners have ever treated the tripartite agreement as anything more than a publicity gimmick, little could be expected from such last-minute efforts. India's own treatment of the much-publicised massive wagon deal with Yugoslavia is a classic example of mismanagement of bilateral trade.

The wagon deal was given particular importance in the negotiations carried out between the two countries for phasing out the rupee trade arrangement into a new convertible currency arrangement. Yet, right from its inception the wagon deal has run into rough weather several times for reasons emanating mostly from the Indian side.

The wagon deal was negotiated by the Projects and Equipment Corporation (PEC) — a subsidiary of the State Trading Corporation (STC) — at a time when the wagon building industry was in need of orders. The railways had drastically curtailed its orders for wagons, and the PEC hurriedly arranged to supply 3,600 wagons at a contract price of Rs 37.44 crores to Yugoslavia, without having adequate prior consultations with the Indian suppliers — some of them in the private sector. The terms of the contract were so badly negotiated that there was no proper assessment of the net gains to the country in net foreign exchange nor was any attention paid to the details of the contract such as inclusion of a price escalation clause or phasing of the delivery schedule. In fact it could be shown that the net foreign exchange which could be earned was less than one-third of the contracted value (see 'Wagon Deal', November 4, 1972, p 2211). Nevertheless, the PEC offered all sorts of facilities to the other side — such as deferred payment arrangements spread over 12 years at a paltry interest of 5 per cent and sizeable down payments in cash amounting nearly one-third of the contract value to Yugoslav manufacturers for assembling the wagons in that country. Apart from its failure to assess the cost-benefit of the wagon deal to the country, the PEC subsequently failed to arrange for the supply of imported components and components manufactured by the Indian railways to the wagon manufacturers so as to enable them to observe the delivery schedules.

According to the initial terms of the contract, all the wagons should have been delivered to Yugoslavia before the end of 1972 in a semi-knocked-down condition. In fact, only 600 wagons have been exported to-date. A high-powered delegation, headed by the Additional Secretary to the Commerce Ministry, was sent to Yugoslavia to renegotiate the contract and ask for both a minimum price increase of 25 per cent and extended delivery schedules upto almost March 1977. In the discussion the Indian side is reported to have pleaded several difficulties such as the power crisis, labour difficulties, shortage of components and raw materials, and steeply enhanced costs. The Yugoslavs were of course firm that India should complete the contract according to the terms settled at the start. In all this exchange between the Commerce Ministry and the Yugoslav authorities, the PEC appears to have lost all interest and initiative to make amends for its initial mishandling of the contract.

The wagon deal as it will now emerge will probably be one scaled down to less than two-fifths its original size. India would be supplying altogether only, 1,400 wagons, inclusive of the 600 wagons already supplied. Yugoslavia is reported to have refused to pay the additional 25 per cent price in respect of the 600 wagons already supplied. If India has hopes of bilateral trade arrangements shoring up its balance of payments, the much-vaunted wagon deal bodes ill for these expectations.

Bihar

'National' Calculations

THE farce in Bihar continues; New Delhi is determined that it shall continue. The domino theory is at work. If the Abdul Ghafoor regime in Bihar is allowed to collapse, it would then be difficult to hold back the warriors in the Madhya Pradesh Congress Legislature Party who are thirsting for P C Sethi's blood. Such could be the reasoning which underlies the enactment of the farce. And if MP crumbles, it could be Orissa's turn next, or Punjab's, or Assam's...

The cumulative impression that might thereby be created could be that of a crumbling empire. But perhaps by now the Prime Minister has ceased to worry about images and impressions. It is the predicament in the practical sphere, likely to arise in the wake of a wholesale collapse of Congress regimes in the states, with a mounting cacophony of demands for the dissolution of the state Assemblies, that should be bothering her. The Presidential election in August is an irritant, and it must be got out of the way. In order to ensure that no further shadow falls before that event, no repetition of Gujarat must be permitted elsewhere in the country. Irrespective of the Attorney-General's extraordinary suggestions before the bench of the Supreme Court — implying that the Presidential election could take place even without a properly constituted Lok Sabha and without any of the state Assemblies —, independently of the judgment handed down by the Court on the issue, matters would nevertheless look rather awkward if as many as three or four state Assemblies cease to exist when the hour arrived to elect a successor to Giri.

The farce in Bihar must therefore continue. The state chief minister knows that few among his cabinet colleagues have any loyalty towards him. In fact, they may continue to speak derisively of him, flout his orders, behave in the manner of independent warlords. But he is not to be permitted to quit. Inevitably, in this kind of situation, the administration in the state will be non-existent; the bureaucrats at different levels cannot but get to know that this government is a lame duck: it has a lease of life till August. It is a free-for-all: nobody is under anybody's discipline. The forces of inertia are playing their preordained role; and the rest of what is happening is in accordance with the throws of the dice. Whether it is the procurement of grains, or the farm production programme for the ensuing kharif season, or various schemes for the state's rapid industrialisation, or plans for tribal or scheduled caste welfare, there could be no question of any co-ordinated political well being brought to bear. In this milieu, what started it all — viz, corruption at high places — is maintaining its uninhibited run.

Meanwhile, students, the overwhelming majority of whom are disaffected with the system but few of whom are in a position to spell out any clear-cut alternatives, will continue to march, shout slogans, and generally endeavour to bring administrative and economic activities to a standstill. The return of Jayaprakash Narayan to the scene will boost their morale. But since the caste basis of Bihar's political alignments remains as strong as ever, it will not be altogether impossible for the Congress, with the support of the CPI, to set up a counter-movement. Already, several clashes have been reported between rival student factions; these may multiply in the coming weeks. Following the morcha on June 5, Jayaprakash Narayan's devout followers, as well as those determined to oppose him, are both likely to raise their tempo of activities, and the confusion will be worse confounded. Besides, while the Prime Minister's admonitions have placed a moratorium on open fisticuffs, intramural intrigues within the Congress Legislature Party are bound to persist. About everybody in the party who is anybody will keep jockeying for position in anticipation of developments beyond the ides of August.

International Trade

Spectre of Recession

THE impact of the spurt in oil prices has begun to be felt by the developed countries. Most of these countries are seriously worried about the likelihood of a 1930-type world recession if more countries resort to restrictive trade practices to shore up their individual payments positions. Italy's recent decision to require importers to make cash deposits equal to a given proportion of the value of their imports has inspired a move for closer consultations among the developed countries under the umbrella of the OECD. The Italians preferred this step, despite the offer by West Germany to provide financial accommodation to meet Italy's payments gap. The measures introduced by Italy to restrict imports will hurt its trading partners, particularly the other eight members of the enlarged European Economic Community. These measures do not, however, violate any of the EEC's laws; nor do they infringe GATT regulations. But they do offend the spirit of the EEC which aims to foster greater economic integration among the member countries. What is worrying the developed countries is that Italy is not the only country to have recently introduced measures to restrict imports. Denmark and Iceland too have imposed import restrictions which are threatening to become popular with other countries as well.

The estimates put forward by the OECD indicate that the collective deficits of the oil consuming countries would be around $ 40 billion in 1974. The OECD estimates have sprung some surprises about the positions of individual countries. Britain and France, for instance, would be faced with balance of payments deficits during the current year that are worse than these countries' own official estimates. This is likely to lead to a dangerous situation when countries faced with larger-than-anticipated trade deficits are tempted to follow beggar-thy-neighbour policies that may lead to a global recession. At the start of the current year the OECD countries had pledged to co-ordinate their balance of payments objectives by harmonising their overall economic policies, but so far they appear to have done very little in that direction. The OECD Ministerial Council, which met at the end of last month, made a valiant effort to persuade all the 24 member-countries to avoid competitive restrictive trade measures. The member-countries adopted a three-point declaration and pledged that they would not adopt any trade measures that would have an adverse impact on one another's foreign trade flows. The pledge, which would

be respected for the period of one year, bars unilateral steps to curb imports, to stimulate exports artificially or to restrict exports.

While all the 24 countries sincerely share these views, the undertaking would prove to be very fragile unless joint efforts are made to finance the $ 40 billion oil deficit. Only this will assure all the countries that restrictive trade devices are unnecessary to safeguard their individual positions. The Italian budget minister, who was the Chairman of the OECD council meeting, maintained that Italy had been pushed into adopting import restrictive measures due to the absence of a clearly-formulated international plan to finance oil induced deficits. In this context it is interesting to note that a large number of OECD countries are keen to revitalise the Group of Ten, the developed countries' exclusive club, to prepare some concrete plans to finance the oil deficits. It is expected that the Group of Ten would meet in Washington before the concluding meeting of the ineffective Committee of Twenty. The record of the Committee of Twenty in the last two years or so has been so dismal that the developed countries are keen to revive more exclusive groups for tackling their problems.

In the meanwhile, the US has shown renewed interest in strengthening the International Monetary Fund by entrusting it with the responsibility for ensuring that policies internationally agreed upon are not flouted by individual members. Not being sure of the willingness of some of the developed countries to fulfil their obligations—such as those agreed to at the recent OECD Council meeting—, the US is pressing for a new international agreement under which IMF approval would be needed for any trade measures aimed at improving a country's balance of payments. The US is expected to put forth some such suggestion at the forthcoming meeting of the Committee of Twenty so that it can be presented for inclusion in the Articles of Agreement of the IMF at the Fund's next annual meeting in September 1974.

At the moment there is a gap in international law in regard to exercising control over national trade measures which are intended to influence the current accounts of the balance of payments. The GATT cannot object to trade measures intended to improve the balance of payments so long as they are non-discriminatory in character and the IMF cannot object to trade restrictions so long as they do not get directly translated into payments restrictions. The US proposal may find supporters among the developed countries, but the developing countries as a group are likely to oppose any such proposal as it would severely curtail their freedom to take action to protect their trade and payments positions. It is unlikely, therefore, that any agreed rules and laws will be framed to discipline intransigent governments and to bar them from following beggar-thy-neighbour policies.

LETTER TO EDITOR

Contractors' Opera

WE have read with interest the article "Contractors' Opera" by Amrita Rangaswami in your issue of February 2. The article appeared at a time when the deliberations of the Committee set up by the Government of Maharashtra on revising the rates for harvesters and cartmen were practically at the final stage. The Committee has now arrived at a settlement, satisfactory to both the parties, namely, the co-operative sugar factory managements and the labour leaders. The harvesters have been given an 85 per cent rise in their wages while cartmen have been given an increase of about 33 per cent rise in transport rates. Harvesting and carting of sugarcane for a distance of 8 miles will now cost Rs 19 per metric ton, against Rs 12.65 previously — a rise of 50 per cent (see Table). The season of unrest and strikes predicted by the author of the article has thus not materialised. The harvesting and transport workers are more than satisfied. As a result of the increase in the harvesting and transporting rates, the factories have to bear an additional burden of Rs 3.90 crores in 1973-74.

The co-operative sector of the sugar industry began its career in 1950 with the establishment of the Pravara Sahakari Sakhar Karkhana. Since then 60 factories have come up in Maharashtra in less than 25 years. About 38 factories have already gone on stream and they produce 25 per cent of India's sugar output and account for 80 per cent of India's sugar exports. The capital invested in the running of the factories is of the order of Rs 115 crores. More than 50 per cent of the 2 lakh members of the co-operative sugar factories grow just about one acre of sugarcane, 25 per cent grow just two acres and 12 per cent three acres. The growth of the industry is simply without any parallel and has been primarily due to (1) the loyalty of member cane-growers, for whom the sugar factories offer an assured market for their produce; (2) meaningful support from the state government; (3) enlightened leadership; and, (4) special operational features of the system.

The co-operative sugar factory is established by a large number of small sugarcane growers, primarily to ensure a reasonable price for the sugarcane produced by them. In a co-operative society all members get equal treatment. Hence the co-operative sugar factories adopted the system of payment of cane price on ex-field basis so that every member-grower gets the same return for the cane supplied by him, irrespective of the distance of his field from the factory. This required the factories to arrange for harvesting and transport of cane, as the agent of the members. This involved making arrangements to ensure (i) efficient harvesting and quick transport of cane to reduce sucrose losses, and (ii) even supply of cane to the factory.

As a matter of fact, the harvesters and cartmen are themselves farmers cultivating dry lands. They harvest their own kharif crops and shift to sugar factory areas from October to the following April. They may not work for the same factory a second time. They work under some contractor who himself is a harvesting and carting operator. He acts as a link between the sugarcane grower, the labourers and the sugar factory. Unlike factory workers, the harvesting and carting labourers have no fixed hours of work and, again unlike factory workers, are paid wages on piece-rate basis, i e, per metric ton of cane harvested and/or carted.

The labour leaders have claimed, on the basis of a notification issued by the state government, that these harvesting and carting labourers are 'employees' of the sugar factories and are entitled to wage and other service conditions applicable to unskilled workers of factory. They have sought legal redress and the matter has not been finally disposed of by the Supreme Court. The co-operative sugar factories have challenged the labour leaders' contention, mainly on the following grounds:

(1) The labourers are seasonal employees of individual sugarcane growers and are paid wages depending upon the paying capacity of the cane growers.

(2) The nature of the work of these labourers is such that it is beyond factory discipline and control. The first and second Wage Boards for sugar factory workers have not recognised harvesting and carting labourers as factory employees.

(3) The Tariff Commission and the Government of India have also not so far recognised harvesting and carting cost as a legitimate part of the cost of sugar for levy purposes.

(4) The earnings of these labourers do not compare unfavourably with the earnings of the average sugarcane grower.

(5) Any extra burden on the sugar industry in one state only — namely, Maharashtra — will impair its competitive position *vis-a-vis* the sugar industry in the other states.

In spite of the above-stated facts, we would like to mention that co-operative sugar factories have always adopted a progressive view towards harvesting and transport labourers. The treatment given to these labourers has been, therefore, always liberal and this can be ascertained by talking to the labourers in the factory areas. There has not been even a single instance of either strike or lock-out in the history of the co-operative sugar industry.

Amrita Rangaswami writes:

The revision of the wage structure proposed does not take into account the deductions made by the sugar factory from the wages of workers on loans for capital expenditure that the workers are forced to incur. How is the worker expected to bear the burden of a seasonal loan of Rs 500 to Rs 1,300 on a wage of Rs 2 to Rs 3 per day?

Further, the increase is on a mileage-tonnage, i e, output basis (haven't the workers moved into the metric age?) which means the wage is shared by a 'koytha', a harvesting and transporting unit of three persons. The wage increase per person works out to approximately Rs 1.53 (Rs 3.55 on harvesting plus 95 paise for carting for the first mile) per person. That in most cases this is the first wage increase since 1965 (the increase now awarded works out to a rate of increase of 17 paise per annum since 1965) bears testimony to the 'progressive' character of the industry.

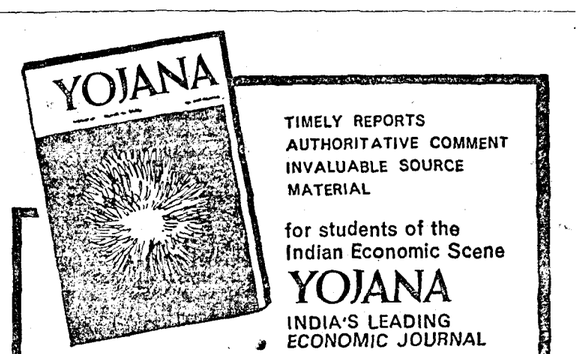
The Federation has acknowledged that it maintains and services the system through hired intermediaries. Naturally, the payment of the wage has to be channelled through the intermediary. While the factory ensures that the loan is repaid by making deductions from the wages, it does not check whether the contractor acknowledges the repayment to the worker. In a number of cases, at the end of the season the 'loan' remains unpaid. How many farmers have been forced by this system to sell their lands and join the ranks of landless labourers?

The Government of Maharashtra seems to be blind to the implications of this system. In 1965, it had to provide wages on relief works for six lakh people. In 1972 the figure had risen to 50 lakhs, five lakhs coming from Ahmednagar district alone, where the Pravara Sugar Co-operative first began its operations. Has the sugar industry contributed in any small way to this phenomenal growth in the numbers of those rendered destitute?

The co-operative sugar factory has indeed transformed the lives of those who have access to a scarce resource: water. It has failed to grasp that it has the potential to transform the lives of those who are now denied their share of it.

TABLE: RATES FOR HARVESTING AND TRANSPORTING CANE

	Present Rate Rs	Revised Rate Rs	Per Cent Rise
Harvesting rate per tonne	4.20	7.85	87
Transport rate for the first mile	3.20	4.15	30
Transport rate for every additional mile	0.75	1.00	33
Rate for harvesting and transporting cane for eight miles	12.65	19.00	50



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Calcutta Diary

A M

THIS could have been predicted. Now that the saints have come marchin' in, and private enterprise has worked its way back into the Government of India, where else to look for guidance and light than Brazil — the Brazil which treats the entire toiling population, whether mulatto, negro, or Indian worker, as so many millions of serfs? This gushing Brazilophilia, so evident from the newspapers, must represent a genre of neo-colonialism. If the American journals and newspapers are full of the Delfim Netti device of 'indexation', and Milton Friedman and the Chicago School have been talking gloatingly about it, why not we?

Inflation, particularly runaway inflation, is in any case manna from heaven for the rich ones in society — the industrialists, the traders, and those who have succeeded in developing agriculture along capitalist lines. While the rich prosper during an inflation, the fixed income groups are squeezed, the subsistence farmer and the landless labourer who hires himself out for daily wages are in great difficulty, the organised working class too can protect its real earnings only after prolonged struggles which ensure that the money wage rate is at least partially adjusted to the rise in prices. Inflation is a conscious act of income redistribution on the part of the powers that be: its purpose is to erode the share in national income of the lower deciles of the population and to transfer a larger part to the rich. The avarice of the luckier sections in all societies is, however, truly extraordinary: the more they have, the more they want to have. This is perhaps the principal reason for revolutions, the successful ones as well as the flops. Those who prosper by exploiting others tend to forget that, as with other things in life, it might be disastrous for them to carry the act of exploitation beyond certain limits of tolerance.

As inflation marches on, and strong-arm methods are used to put down workers, there is a gleam in establishment eyes. The attention of the affluent ones is rivetted on the Brazilian example. Inflation is good, it swells their pockets, it enables them to rob the poor; but inflation, accompanied by the stratagem of 'monetary correction', is even better. Eating the cake is great, but eating the cake and having it too is absolutely heavenly. For this is what the Brazilian artifice of indexation is all about. Because of the runaway inflation, the rate of return enjoyed by the tycoon on his invested capital has perhaps jumped from 8 to 80 per cent in the course of a single year. That obviously is not enough. Over the year, the general price index has moved up, say, by 40 per cent. For tax purposes, therefore, the tycoon's earnings must be recorded after a downward adjustment — 'indexated' inversely to this rise in prices; a rebate must be shown due to him. The exchequer will thus receive as revenue much less than is nominally its due. Similarly, if the tycoon's wife has purchased some fixed interest-bearing Government securities, the yield from these must be subject to 'monetary correction', so that there will be no danger of the holder of these bonds being made the victim of untoward bearish sentiments in the market. And, if the tycoon has some footloose cash which he wants to keep as bank deposits, the interest the banks offer against the deposits must also be adjusted so as to compensate fully for the erosion of the money value of the deposit rate. This, then, is a foolproof system, innovated by the rich for the rich, under which, in an inflation, they will never suffer. They will appropriate the gains from inflation, such as a widening of profit margins, a fantastic increase in the return from speculative activities, and so on. They will also have the completest insurance against the common inconveniences which stem from a spiralling of prices, such as a drop in the real rate of interest. Blessed are the rich, for they shall inherit the earth *via* 'indexation'.

But, even under 'indexation', somewhere a line has to be drawn. Your enthusiasm for the new device must not be permitted to carry you away. There are such things as broader social responsibilities. 'Indexation' is all right for the rich and the privileged, it is not all right for the working class. Most of the present turbulence in the country in the field of industrial relations is on account of the plea of the organised sections of the working class that they must have a hedge against inflation, that their wages must be adjusted against the rise in prices. This, to be precise, is an echo of the demand for 'monetary correction' *a la* Brazil. Yet, as in Brazil, so here, the authorities and their hangers-on will be aghast at the idea of their precious formula being also applied for the earnings of the wretched workers. After all, one must not press the point of symmetry to absurd lengths. So, while for *rentiers* and capitalists there shall be the boon of monetary correction, for the labourers the principle to be followed shall be that of wage adjustments *pari passu* with rise in productivity. Nobody shall be permitted to be officious enough to ask how the productivity of a *rentier* is to be measured, or what is the contribution made to the national output by a speculator. In the case of the rich, questions concerning productivity are *lese majeste;* they become relevant only if the working class is involved. When the crunch comes, the trade unions will be able to trot out statistics which indicate that, in the 20 years since 1953-54, adjustments in money wage rates in this country for a whole range of industries, old and new, have lagged far behind not only the rise in prices, but also behind the advances in productivity. But such awkward facts do not deserve a free airing: the newspapers will be asked to play such facts down, or to have them completely censored.

It is a nasty wind which is currently blowing. What causes greater worry, however, is the slow deadening of even elementary social conscience. The character of a polity is determined by the structure of its classes. One should not, therefore, feign surprise at the asymmetrical attitude of the powers that be towards the relative merits of compensating the rich and the poor against inflation. But, whereas a few years ago there would have been a certain shamefacedness about the way the subject is broached, today, the deference with which proponents of the Brazilian solution are being treated is indeed breathtaking. Formerly, the attitude would have been: yes, the matter is engaging our attention, the share of wages in national incomes has declined, something ought to be done about it, we are trying to curb the excesses of the rich, but, you know, it will take a while, they are politically so powerful. Anyone suggesting that it is the affluent ones who deserve official protection against inflation would have been ignored, and even held up for ridicule; now, such a person will receive a respectable press coverage, official circles will promise to have his point of view 'examined', perhaps even the Prime Minister will give him audience and listen to his prescriptions.

By contrast, anyone foolhardy enough to suggest that the wages of workers must occasionally be adjusted for the rise in prices will be read the Riot Act, he will be apprised of the Defence of India Rules and the Maintenance of the Internal Security Act. The taxpayers' money will be invested in a lavish bid to inform the countrymen that one propagating such dangerous ideas represents 'the enemy within', what our external foes could not do in 1965 or in 1971, this person is currently bent upon doing. All this and more, because the person has asked for 'indexation' — but not of the profits of capitalists or of the interest accruing to *rentiers;* he has asked for indexation of the wages of labour, oh horror, horror, horror, foul, foul, foul.

There it is. The fangs are out when railwaymen strike. But when traders refuse to part with their stocks of grains, the response is a gentlemanly whimper. It is not the Territorial Army and the Border Security Force whose services are commandeered in the face of this emergency, it is the President of the Federation of Indian Chambers of Commerce and Industry who is invited to accompany the minister to the Punjab *mandis* to plead the Government's cause with the traders and hoarders. At such moments, history is made. The only apt parallel could be Al Capone's accompanying the law enforcement officers to the speakeasies and beseeching the bootleggers to behave; Al Capone would have regarded the episode as a huge joke. There is no reason to believe that the FICCI President felt any differently about his weekend motorcade around the *mandis*.

Where do we go from here? It is an unquiet land, almost exclusively because prices have not been kept on leash. Neither the railwaymen, nor any other set of workers — not even those wretched junior employees of the Indian Airlines, who seem to be everybody's whipping boy — are responsible for the unbridled price increase. The inflation cannot even be laid at the door of stagnant output: a record kharif crop, after all, has been accompanied by a record rise in prices during the so-called busy season. Prices, let's face it, have risen because in several cases the Government wanted them to rise; it either connived in the price increase, or benignly created conditions — for instance, through liberalised bank credit — such that price spiralling would become inevitable. The guilty men are in the Government, and on its fringes. The responsibility for undoing the inflation therefore also rests with the Government. In such matters, it is often difficult to sort out the wheat of folly from the chaff of knavery.

Instant solutions to the scourge of inflation are being peddled every day: there is a beeline for meeting the Prime Minister; you can spot in the queue nearly all the well-known quacks and charlatans out to make a fast buck. One can take a little wager: most of the cures currently suggested will only aggravate the malady. The Government, however, appears to be lapping it all up: its love for the charlatans could not be more transparent. As for its hate, that is reserved for the hapless working class.

At this rate, though, very soon, will it not be time to chirp: who deserves greatness deserves your hate?

CAPITAL VIEW

The Politics of the Strike

Romesh Thapar

HAVING succeeded in delivering a terrible blow to the working class, because of the opportunity offered by a thoroughly incompetent trade union leadership, there is a tendency among politicians, and bureaucrats to go to sleep. If this happens, even incompetent leaders will not blunt the spirit of the dispossessed and the discontented.

The government of Indira Gandhi needs to take a good look at the absurdities, the incongruities, and the anomalies built into the country's wage structure over the past 25 years.

Something along these lines is being attempted, but it is clear that the Labour Ministry will have to be revived as a relevant arm of democratic government before anything can be done to remedy the sorry and very sick state of affairs. Too long have we been drugged into the belief that every labour agitation is sparked off by deep economic despair.

Logic of Economism

This is far from the truth in the major sectors of governmental enterprises. Indeed, the mood is motivated by the conviction that if sufficient pressure is mounted and threatening attitudes adopted, demands will be met. Of late, the Labour Ministry under two ministers has deliberately created this kind of panic in the mistaken belief that this is the essence of the battle for egalitarianism.

So dominant was the voice of the so-called 'radicals', and their allies among the working journalists, that wide sections came to regard every strike as economic. When the closure of the railways was threatened by the unions, the general assumption was that there would be the usual compromise on some figure around Rs 200-300 crores. But there is always 'the last straw'. The strike threat on the railways, after the student revolts in Gujarat and Bihar, was apparently seen as precisely that. As information poured in, of plans to paralyse the country and to move to a general strike, the conviction crystallised that the strike was political — intended to topple the government.

From the mess of reports now available, it appears that the new consciousness of the GOI was not adequately reported to sections of the leadership of the railway unions, particularly those belonging to the CPI. The sudden arrest of the critical leadership, the tough measures adopted in the railway colonies, and the determination to live with the strike, soon made it clear that once again the Left had led the working class into a messy situation. Even the face-saving formulae could not be devised fast enough.

The hysteria now being expressed in certain quarters about the measures taken to break the strike, and the tedious emphasis about it being an economic struggle, is empty and false. What was expected? That the GOI move to embrace the leaders of the railway unions and kiss them on both cheeks? That ineffective measures be ordered so that the very life of the GOI be put under a question mark? The critics do not seem to have an iota of understanding about the determined mood now visible at the Prime Minister's level to bring some discipline into the developing chaos.

However, as I said earlier, if the apparatus of government rests content with punishing the railway workers and fails to move against the corrupt who have always wrecked the administration, the market, and the various structures which support our fragile

democracy, the assumption will soon form again that this is a government which needs toppling. Indira Gandhi's ears should be close to the ground these days. There is a lot to be done to make the people feel that she is leading an intelligent, just and meaningful government.

Each day brings evidence of new damage — to economic, political and social effort — by men closest to the Prime Minister, men within the Council of Ministers. The story persists about impending 'sackings', 'purges', 'reshuffles' and 'shuffles'. When will the country see some real structural change in functioning? Even at the level of the Prime Minister's Secretariat, a restructuring is long overdue. We cannot preen ourselves about being nuclear when we function with systems which make us queer specimens in this twentieth century.

If we carry on as before, imagining that a good monsoon will build the bridges to tomorrow, we are in for a terrible shock. The economics of strikes will be transformed by the runaway inflation. And then we will be facing political strikes, not by aged and compromised TU leaders but by young activists of the working class who are so patient and so angry that they can slowly, deliberately, bring government and production to a standstill.

And what use a nuclear device when everything has come to a standstill . . .

June 3

COMPANIES

Curtain-Raiser for Modernisation

Hansavivek

MODERN MILLS is going ahead with its scheme of renovation and modernisation and is seeking a soft loan of Rs 75 lakhs from IFCI. New machinery and conversion material of the value of Rs 24 lakhs was received last year. Out of the 84 ring frames transferred from mill number one, nearly half have been converted to pendulum arm drafting system, and the remaining are expected to be converted during the current year. The back process is also being modernised. The whole scheme is expected to be finally implemented by 1975. The company has received Rs 20 lakhs out of the total consideration of Rs 30 lakhs for sale of the immovable property at Mahalaxmi which was surplus to the company's requirements. In March 1973 the company received about Rs 28 lakhs, being the balance consideration in respect of the sale of immovable property at Parel, from where the entire productive machinery had been already transferred and commissioned at Mahalaxmi. The integration of the machinery at one place has brought in, apart from considerable savings, some additional operational control. The Karnataka State Industrial Investment and Development Corporation has received a 'letter of intent' for manufacture of high wet modulus polynosic viscose staple fibre. The company says it had made joint efforts with KSIIDC in this regard.

The company's 1973 results show a marked improvement in profits even though these figures include a surplus of Rs 50 lakhs realised on sale of fixed assets in the latest year against Rs 18 lakhs in the previous year. After an absence of five years, the company has returned to the dividend list with a 10 per cent distribution. Cloth and yarn export increased from Rs 90 lakhs to Rs 117 lakhs over the year. The 40-year-old company made a beginning in the manufacture of controlled cloth last year, but production was restricted owing to "slow offtake and heavy loss". No provision has been made in respect of the liability for future payment of gratuity estimated at around Rs 74 lakhs. Also, no provision has been made for bonus estimated at Rs 9 lakhs. The management of the sister concerns, Mysore Spinning and Minerva Mills, has been taken over by government from October 1971. The monies due from these two companies are Rs 26 lakhs and Rs 6 lakhs, respectively. These balances have been "suspended". Their realisability depends on the eventual reconstruction of these two companies. Meanwhile, no provision has been made in the accounts for any shortfall in this behalf.

MINERVA MILLS, under an authorised controller, has shown improved results for 1972-73 and has reduced the accumulated loss from Rs 103 lakhs to Rs 82 lakhs. Once again no provision has been made for depreciation, resulting in the piling up of arrears on this account to Rs 65 lakhs. The company's accounts show certain dues to Modern Mills and N Sirur and Company. Provision for interest thereon has not been made, and it is stated that the nature and purpose of these debts are "not quite clear". The company's production has been substantially more than in the previous year even though the mills have had to face considerable idle capacity on account of shortage of power. The company was able to pack 8.16 lakh square metres of controlled cloth, produce 2.63 lakh kgs of yarn for the decentralised sector and achieve exports of Rs 83 lakhs. The company's modernisation scheme, costing over Rs 50 lakhs, has been sanctioned by the government of India and steps have been taken to procure machinery and accessories. It is pointed out that in most cases the supply periods are long and somewhat uncertain. According to an earlier arrangement, the entire modernisation had to be financed by NTC and government of Karnataka in the proportion 51:49. The state government, after releasing a part of its share, has now communicated its inability to further participate in the programme. This, it is stated, will place the mills in a very difficult situation. The liability accruing upto 1972-73 under the company's old scheme of gratuity amounts to about Rs 14 lakhs. A provision of Rs 4 lakhs has been made under the Payment of Gratuity Act, pending assessment on an acturial basis. Accumulated losses upto 1970-71 have been adjusted in the accounts upto 1970-71 against the capital reserve to the tune of Rs 39 lakhs — made up of surplus on revaluation of lands (Rs 32 lakhs) and net capital gains over cost on sales of assets (Rs 6 lakhs). Contingent liabilities not provided for in the accounts include arrears of preferential dividends amounting to Rs 7 lakhs; lay-off compensation payable to workmen aggregating Rs 5 lakhs; and possible penalty arising from non-payments within the stipulated time relating to the pre-takeover period on contribution to provident fund (Rs 1,20,973), employers' special contribution to ESIC (Rs 82,580), income-tax deducted at source on interest (Rs 26,330) and sales tax, central sales tax and purchase tax (Rs 62,765). One of the notes appended to the accounts says that confirmations have been called for from debtors and creditors, but the response has not been satisfactory.

SANDVIK ASIA has written to government on the conditions contained in the 'letter of intent' for substantial expansion, received by it after an application made in 1971. It hopes to receive the industrial licence in the near future. The company has once again turned out good results, with higher sales and improved margins. Dividend, stepped up two points to 20 per cent, on the capital enlarged by a one-for-five basis, is covered more than twice by earnings. However, borrowings had increased substantially, and ratios of both inventories and wages to sales were higher than last year. The company's export sales rose to a new high of Rs 47 lakhs. The chairman, N S Phatarphekar, assures shareholders that the management is making efforts to maintain, if not to improve upon, profitability. He hopes to achieve this despite scarcity, and escalation in the cost of raw materials. He points out that prices of the steel used by the company have gone up by nearly 40 per cent, and the price of tungsten ore has advanced by nearly 90 per cent in recent months. He hopes, however, that conditions will improve in the near future and that the company can achieve better results. The company has a satisfactory order book; also, turnover during the first four months has been higher at Rs 298 lakhs, against Rs 200 lakhs in the corresponding period of 1973.

LAXMI VISHNU TEXTILE showed further improvement in 1973. Its profit margins were widened, as reflected in a 40 per cent rise in gross profit following only a 4 per cent rise in net sales. These results, achieved in a year of comfortable supplies of cotton at reasonable prices and favourable trading conditions, enabled the company to return to the dividend list after several years. The recommended equity distribution is, moreover, covered nearly 6.5 times. The cover, however, is mainly on account of absence of tax liability, because of the unabsorbed development rebate of earlier years. Also, no provision has been made for the gratuity liability, estimated at Rs 66 lakhs. The company is pursuing its reorganisation and renovation programme and has spent Rs 72 lakhs on this account last year. Industrial relations continued to be quite satisfactory throughout last year, and there was no disruption of the mills' working.

ICICI is offering for public subscription from June 11 18,000 debentures of Rs 5,000 each at the issue price of 99.5 per cent (that is, Rs 4,975 per debenture) which would be redeemed at par on June 15, 1986. The rate of interest would be 6.25 per cent per annum, subject to tax, and would be payable half-yearly. The issue is being made to augment the rupee resources of the Corporation to meet the demands of industry. The subscription list will close on June 15 or earlier, but not before June 13. In the event of oversubscription, shareholders of the Corporation who apply for debentures will be given preferential allotment to the extent of as many debentures as they would be entitled to take up if the entire issue had been offered to such

The Week's Companies

(Rs in Lakhs)

	Modern Mills		Minerva Mills		Sandvik Asia		Laxmi Vishnu	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-10-73	Last Year 31-10-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up Capital	108	108	40	40	132	110	121	121
Reserves	83	16	—	—	234	207	180	109
Borrowings	187	228	285	290	170	97	346	312
of which Term borrowings	—	—	201	195	—	—	33	39
Gross fixed assets	298	312	202	201	422	362	741	645
Net fixed assets	127	149	142	141	187	164	281	211
Investments	19	19	—	—	1	1	—	—
Current liabilities	63	125	52	44	292	256	232	226
Current assets	287	301	152	129	641	505	617	557
Stocks	224	254	125	111	313	269	322	358
Book debts	62	41	22	14	317	230	194	198
Net sales	549	498	325	128	721	637	1580	1520
Other income	63	30	19	1	9	8	33	24
Raw material costs	205	202	143	109	223	206	693	597
Wages	154	144	70	44	106	88	338	263
Interest	24	25	29	29	17	16	39	42
Gross profit (+)/loss(—)	114	9	20	—20	212	177	116	83
Depreciation provision	12	34*	—	—	36	25	30	24
Tax provision	—	—	—	—	108	98	—	—
Net profit (+)/loss(—)	102	—25	—	—20	68	54	86	59
Development rebate provision	12	—	—	—	11	3	13	8
Transfer to reserves	79	—	—	—	31	31	60	40
Dividend								
Amount	P —	—	P —	—	P —	—	P 2	11
	E 11	—	E —	—	E 26	20	E 11	—
Rate (per cent)	P —	—	P —	—	P —	—	P 7&5.25	7&5.25
	E 10	—	E —	—	E 20	18	E 12.50	—
Cover (times)	6.91	—	—	—	2.19	2.55	6.45	—
Ratios (per cent)								
Gross profit/sales	20.76	1.81	6.15	—	29.40	27.80	7.34	5.46
Net profit/capital employed	27.00	—	—	—	12.69	13.03	13.29	10.90
Inventories/sales	40.08	51.00	38.31	86.70	43.41	42.23	23.80	23.55
Wages/sales	28.05	28.91	21.54	34.37	14.70	13.81	21.39	17.80

* For the period from 1-11-69 to 31-12-72

shareholders on a *pro rata* basis as a rights issue.

INDUSTRIAL FINANCE CORPORATION OF INDIA is raising Rs 7.25 crores by means of bonds to be issued at par in denominations of Rs 100, Rs 500, Rs 1,000, Rs 5,000, Rs 10,000, Rs 25,000, Rs 50,000 and Rs 1,00,000. These bonds will bear interest at 6 per cent per annum, subject to tax, which will be payable half-yearly. The bonds, which will have a currency of 12 years, will be issued only in the form of promissory notes payable to, or to the order of, a certain person or persons, and will be repaid at par on June 10, 1986. The bonds are being issued to replenish IFCI's resources to meet the demand of industry for financial assistance. The subscription list will open on June 10 and close on June 14 or earlier as soon as it appears that the total subscription approximates Rs 7.25 crores.

SECALS, which made a public issue of capital in July last, has so far been on schedule in regard to the implementation of its project. Subject to availability of furnace oil, for which the company has applied to the government, the plant is expected to be commissioned soon. Owing to procedural delays in obtaining a licence for import of raw materials, however, the start up of manufacture of cast toolings would be delayed by about four months. Production of these precision castings is expected to commence from early September next. In the meantime, it is proposed to establish at the earliest production capacity of 10 tonnes per month made up mainly of heat-resistant steels and stainless steel castings. The total project cost, originally estimated at Rs 50 lakhs, increased to over Rs 56 lakhs due to enhanced customs duty and cost of imported machinery. The additional capital cost will be met by the subsidy being made available from the State Industries Promotion Corporation of Tamil Nadu. The company has been registered with the DGTD for manufacture of 350 tonnes of alloy steel castings per annum, in addition to the industrial licence already held for the manufacture of 144 tonnes cast tools per annum. According to the chairman, R P Aiyer, the company has got sufficient orders for heat-resistant steels and stainless steel castings to keep operations going for the next four months. Orders for cast toolings are also being negotiated.

SYNDICATE BANK's deposits rose from Rs 271.14 crores in 1972 to Rs 343.78 crores in 1973. Net profit improved from Rs 101.26 lakhs to Rs 118.65 lakhs, representing 4.4 per cent of the Bank's total income. The rise in deposits over the previous year amounted to 26.8 per cent in 1973 as compared to a rise of 23.5 per cent in 1972. The number of deposit accounts rose from 26.47 lakhs in 1972 to 33.72 lakhs in 1973, an increase of 7.25 lakhs as against 4.40 lakhs in 1972. Of the accounts, 97.54 per cent had balances of Rs 5,000 and less. Syndicate Bank's advances increased from Rs 179.10 crores in 1972 to Rs 230.41 crores in 1973. The number of borrowing accounts rose from 5.36 lakhs to 6.58 lakhs, an increase of nearly 21.4 per cent. The number of accounts with balances of less than Rs 1,000 represented 71.29 per cent of the total borrowing accounts. As many as 92,000 accounts had balances upto Rs 100 while the number of accounts with balances between Rs 100 and Rs 1,000 was 3.77 lakhs. Advances to priority sectors, including exports, showed a steep increase from Rs 79.52 crores to Rs 106.54 crores in 1973. Advances to priority sectors formed 46.2 per cent of the Bank's total advances. The Bank opened 74 branches in 1973 as against 57 in 1972. Of the 74 branches, 36 were in rural and semi-urban areas, 23 in urban areas and 15 in metropolitan areas. The total number of branches as in December 1973 was 638 of which 68.2 per cent were in rural and semi-urban areas. The bank exceeded its target (½ per cent of the total advances of the previous year) by a handsome margin in implementing the differential interest rates scheme. The Bank's assistance to self-employed persons during 1973 was to the tune of Rs 141.40 lakhs. This effort has generated employment for nearly 3,000 persons.

BATA INDIA achieved a turnover of Rs 57.2 crores in 1973, of which exports accounted for Rs 3.25 crores. Profits before tax for the year were Rs 110 lakhs. After appropriation to the statutory reserve for development rebate (Rs 4.85 lakhs) and provision for taxation (Rs 75 lakhs) the net profit was Rs 34 lakhs. The directors have recommended a dividend of 22.5 per cent for the year. The Company complains that the power supply situation deteriorated sharply in the second half of 1973 resulting in a loss of production of about 5 mn pairs of footwear. The company's exports also suffered due to production constraints and non-availability of shipping space. To overcome the power shortages the company is installing captive power plants at its factories at Faridabad and Batanagar.

SUNDARAM FINANCE achieved a marked growth in business during the latter part of 1973. As a result, advances on hire purchase contracts rose from Rs 513 lakhs in 1972 to Rs 843 lakhs in 1973. The growth in business has continued in the first four months of 1974. Payments on hire purchase contracts during this period amounted to Rs 461 lakhs as against Rs 148 lakhs in the corresponding period of 1973. In view of the growth in business, the company resumed acceptance of deposits with effect from January 1, 1974. The company's operating profit in 1973 was Rs 176 lakhs compared to Rs 191 lakhs in 1972. After deducting interest on borrowings and administrative expenses and making a provision of Rs 43 lakhs for taxation, the balance transferred to reserve was Rs 30 lakhs (Rs 28 lakhs in 1972). The Directors have recommended a final dividend of 10 per cent, subject to tax. Together with the interim dividend of 6 per cent already paid in February, this makes a total dividend of 16 per cent. The dividend amount of Rs 16 lakhs will be paid out of general reserve.

LARSEN AND TOUBRO group achieved a turnover of Rs 68 crores in 1973-74 against Rs 58 crores in 1972-73. Of this, the sales of Larsen and Toubro were Rs 43 crores in 1973-74 as compared to Rs 37 crores in the previous year. Though production in 1973-74 registered a rise of 27 per cent — despite power cuts and raw material shortages —, the order backlog as at March 31, 1974 was Rs 58 crores as compared to Rs 48 crores on March 31, 1973. Production so far in the current year is substantially higher than during the corresponding period of 1973-74. Orders booked and sales during the current year have registered increases of 35 per cent and 20 per cent, respectively, over the corresponding period last year. Four senior employees of the Company have joined the Board as full-time directors. Two Deputy Managing Directors, John Hover and Gunnar Hansen, have resigned their directorships in response to the government's policy of Indianisation.

NEW DELHI

Narrowing Options

AFTER much prevarication, the Food and Agriculture Ministry now claims to have made up its mind to fix the ceiling on the wholesalers' price for wheat at Rs 150 per quintal. An announcement to this effect had been made by Fakhruddin Ali Ahmed at the meeting of the Congress Working Committee last month. It was an impromptu announcement and was made merely to mollify some of the vocal critics in the Working Committee of the manner in which the new wheat policy was working. There was, therefore, no serious intention to implement the decision. However, events have moved rather fast since then and the new wheat policy is now seen even by its advocates to have been a complete failure. The Food and Agriculture Ministry's move to fix a ceiling on the wholesale price by an executive order under the Essential Commodities Act amounts to admission of this failure. The move has been readily cleared by the food ministers of the surplus states, but has still to be discussed at a conference of food ministers of the deficit states.

Not, of course, that the government can seriously expect the ceiling on the wholesalers' sale price to be enforced. It cannot be expected that the wholesalers, who have been buying wheat from the farmers at prices much above the fixed procurement price of Rs. 105 per quintal, will observe this ceiling. They had been making their purchases on the basis that after parting with a part of what they buy to the government at the fixed procurement price, they would be free to sell the rest in the deficit states at prices which would give them handsome profits. It is no wonder, therefore, that there has been a further slowing down of the already poor arrivals and purchases of wheat in the so-called organised markets after the talk of a price ceiling started. The Uttar Pradesh Foodgrain Dealers Association has even gone so far as to formally decide to suspend trading in wheat by its members.

This is not to say that the record of procurement through the agency of private traders under the new wheat trade policy was anywhere near satisfactory, even before the latest developments. The policy envisaged that the wholesalers will give 50 per cent of their purchases in the mandis to the government at the fixed procurement price of Rs 105 per quintal. It was, of course, completely facile for the government to believe that this arrangement could bring to the government as much as 5 mn tonnes of wheat. It could, after all, operate only in the organised markets. The arrivals in these markets, even in the best of times, is never more than 5 mn tonnes. The government's share could not, therefore, have been more than 2.5 mn tonnes at the most. The reason for anxiety, therefore, is not that the target of procurement of 5 mn tonnes for government stocks is nowhere near being fulfilled. It is that the pace of arrivals in the market has been so slow and inadequate that there is no likelihood of the traders handing over even 2.5 mn tonnes to the government. More than half the rabi marketing season is over and till June 1 the total arrival of wheat in the organised markets had been hardly 1.6 mn tonnes. Procurement by the government cannot, therefore, have been more than 0.8 mn tonnes. Last year, under the policy of take-over of wholesale trade by the government, the arrival of wheat in the markets of Punjab alone during the corresponding period was as much as 1.9 mn tonnes, all of which was picked up by public agencies. What is more, the pitifully small procurement this year is in spite of the hefty increase in the procurement price from Rs 76 to Rs 105 per quintal.

The failure of procurement is indeed built into the new wheat trade policy. The wholesalers have no particular incentive to induce the producers to bring their marketable surpluses to the market where they would have to give up half of their purchases to the government. They were bound to prefer to make their purchases outside the markets even if these purchases are made at higher prices. It is not that the farmers have not sold as much as last year; only that a sizeable part of their sales, on a much bigger scale and in a much more organised manner, has taken place outside the organised markets. This has enabled the trader to evade the obligation of sharing his purchases with the government. In addition, this situation has whetted the appetite of the producer for prices far higher than even the government-fixed procurement price. The increase of the procurement price from Rs 76 to 105 per quintal is so impressive that wheat producers would have readily sold their stocks to government agencies at that price. But the bringing back of the wholesalers into the picture and reliance on them as the principal agency for procuring stocks for the government has changed the situation entirely. The producers found that the traders were willing to give them much more than the officially-fixed procurement price and naturally they were not averse to taking advantage of this. The traders found that they were in a position to recover the higher cost of purchases if they were allowed to sell their stocks freely in the deficit areas. This naturally implied a big push to the prices which consumers would have to pay. According to the reports received in the so-called control room of the Food Ministry, the wholesalers' price per quintal of wheat on May 24 ranged between Rs 155 and Rs 255 in Delhi, Rs 175 and Rs 200 in Maharashtra, Rs 130 and Rs 185 in Madhya Pradesh, Rs 120 and Rs 180 in Rajasthan and Rs 115 and Rs 175 in UP. Retail prices were naturally much higher. The new wheat trade policy thus created ideal conditions for collusion between the trader and the bigger farmer producing for the market for mulcting the consumer.

The pitifully small procurement and the soaring prices have shaken up even the most smug in the government. Glib talk of the virtues of free trade has give place to panic and an all-round scramble for foodgrain stocks. The deficit states know that they can no longer rely on the Centre for adequate supplies to keep their public distribution systems going. So they are trying desperately to get wheat from the surplus states by every available means — directly and through agents. The surplus states, on their part, are worried about their own requirements, mainly their urban consumers, and are anxious to build up their own stocks. The UP government, for instance, has made it clear that it has no stocks to send outside the state and has even demanded that the Centre should declare UP a deficit state. Similar is the stand of Madhya Pradesh. What is emerging is a sorry spectacle of pulls and pressure, panicky decisions and working at cross purposes all round.

This is the background against which the Food Minister announced the government's intention to impose a ceiling

on the wholesale price of wheat and the UP Chief Minister launched his much-advertised dehoarding drive under which the limits for the stocks of both the farmers and the traders have been lowered. These measures will certainly mean a vast spurt in unauthorised transactions and a further shrinking of arrivals of wheat in the open markets. The consequences of this are indeed frightening to contemplate. A few demonstrative raids in villages to seize the stocks from farmers will be hardly adequate to meet this situation.

But the government has few options left. The 'firm' policy in industrial relations first used against Indian Airlines employees and subsequently on a bigger and far more ruthless scale against railway workers has underlined the fact that the government has no means left to give even partial satisfaction to organised industrial labour and white collar workers — such as it had attempted to provide during the phase of populist policies beginning in 1969. The prolonged economic stagnation and the failure to mobilise and deploy savings properly over the years have taken the economy to a stage where no surpluses are available with the government to manoeuvre with. Hence the need to stage a confrontation with the working class. The government's options are becoming narrower and narrower.

RAILWAY STRIKE

The Fall-Out

M R

RAILWAYMEN went back to work angry, sullen and embittered even as their leaders were divided and frustrated at the end of the 20-day strike action. When the strike was losing its tempo, a Minister who sought to mediate was told by the Prime Minister that once this one was smashed, there would not be another for 50 years to come.

Yet it might suit parties like the CPI to convince themselves (as S A Dange did while addressing the Press Club of India on May 31) that the strike forced the Congress Working Committee and the Government to think of rationalising the wage system in the country as a whole. But the two most important demands of railwaymen — wage parity with other public sector undertakings and bonus — have not only not been conceded but the Government is firm that they cannot be the subject of negotiations. The assurances to be implemented now relate to the six demands conceded before the strike began.

The consequences of the strike rather than the demands behind the strike will dominate negotiations when they are resumed. The Government has discreetly made it known that it no longer recognises the National Co-ordination Committee for Railwaymen's Struggle, set up on February 27. The Government, by negotiating with it in the pre-strike stage had, however reluctantly, conferred indirect recognition on some of the unrecognised unions which were presented in the Committee. Now the Government is going back to the old position of negotiating only with the two recognised national bodies — the Congress-controlled National Federation of Indian Railwaymen which was not a party to the strike, and the All-India Railwaymen's Federation which does not include communists.

Another fall-out, the more serious one is the dismissal notices on over 15,000 railwaymen, most of them union activists. The 50,000-odd arrests during three weeks covered most of these activists. While others might be freed, these union activists have been covered, in a planned manner, by charges of violence, intimidation, attempted sabotage, destruction of public property, etc. As for the lakhs of strikers (one lakh in the Western and Central Railways even by official admission), they will have to suffer a break in service and are to be taken back on tendering apology for participation in the strike. The bureaucratic answer is that application of rules does not amount to "victimisation".

Whether the railway strike constitutes a big setback to the organised labour movement or not is too early to conjecture but the Government's massive repression of the strike has sinister implications for the working class movement as a whole. It might even be a prelude to a total moratorium on all strikes and lock-outs in the name of evolving a rational wage policy for the country.

The Government prevailed partly because it could force the strike at the time of its choosing. Three months before the strike, it had commissioned the production of a film to discredit any railway strike to come. A big advertisement campaign had been geared up and a secret Home Ministry circular was sent out well before the strike about the need to round up key persons not too early and not too late. In contrast, the strikers were unprepared when the strike was forced on them through two pre-emptive acts — cancellations of trains as from April 27 and the countrywide swoop on their leaders on May 2 when negotiations to avert the strike were still going on.

Besides the psychological warfare against the strikers and the public on the basis of half-true and untrue reports, the Government went out all the way to press in the army and paramilitary forces on a war footing. The Defence of India Rules and the Maintenance of Internal Security Act, meant to protect the country against external threats, came in handy for the Government to solve a domestic problem.

In contrast, how did the strike leaders conduct the strike? While the CPI(M) and the Socialist Party seemed to aim at an eventual "political confrontation" with the Government through the railway strike, the CPI's participation in it was half-hearted and conditional. Within two days of the beginning of the strike, CPI spokesmen were saying that it should not and will not last long. On May 12, Bhupesh Gupta had affixed his signature on a statement by Opposition leaders denouncing the repressive measures but tried frantically the whole evening to withdraw his signature before the statement reached the Press but failed. His explanation was that the CPI wanted to play the role of a mediator and therefore he could not sign the statement though he was against the repressive measures. The CPI thinks that the strike itself was adventurist, though Dange clarified this to say he would not hold the strike adventurist but some of the demands were certainly adventurist.

The strike leaders had perhaps thought of a short and swift struggle. The strike gained tempo around the third day but had crossed the hump on the seventh day and leaders began speaking in many voices. Through selective arrests the Government left only the CPI leaders out to carry on behind the scene negotiations. L N Mishra is still the CPI's hero inside the Government. K D Malaviya, R K Khadilkar and K V Raghunatha Reddy, all its allies, played their role some time or the other but the Prime Minister played everyone of them out.

V V Giri's decision to cancel his stay in Mussoorie on May 10 and return to the Capital embarrassed the Government a great deal. His views on the Government's handling of the strike, aired to Opposition leaders who met him, embarrassed Indira Gandhi further. Eventually, even the President was rebuffed by the Government which was emboldened by the advice of the tough-lining Railway Board. It is now confirmed that the decision to arrest the railway workers' leaders was taken on April 27 before Indira Gandhi left for Teheran while the Government was still feigning earnestness for a negotiated settlement.

In short, the Government was itching for the strike so that it could crush it. A delegation of industrial interests, led by one of the Birlas, called on the Prime Minister to express its anxiety over the effects of the strike on the economy. The delegation was assured that the massive retaliation by the Government would in fact do the industry good in the long run even if the strike meant temporary dislocation. The murmurs from various sections of the industry were silenced in this fashion.

No wonder the private sector and the industrial interests in general are pleased beyond measure at the Government's tough line which has paid quick and rich dividends. The leaders who planned the strike did not see far enough when they decided to serve the strike notice. They gambled on a short struggle and on their own terms little realising the readiness of the government to use ruthless methods which amount to an open war on the working class.

BUILDING TECHNOLOGY

Institutional Resistance to Innovation

(By a Special Correspondent)

THE Government of Kerala had in February 1972 set up an Expert Committee to "examine and assess different methods of lowering the cost of construction of residential houses utilising to the maximum extent possible local materials and labour" and to suggest "means of promoting and encouraging the use of low cost methods of construction of buildings in the state". The Committee, which consisted of an architect, an economist, a structural engineer and a design specialist, submitted a Report which was released by the government in February 1974.

The basic concept behind the Committee's approach was that of "social cost". By using scarce materials such as cement and steel in house-building, where their use was avoidable, these materials were being denied to vital sectors (e g, machine building, dams) where their use was essential. Again, by using technology with a higher capital/labour ratio, employment was being forgone. From the national economic point of view, therefore, it made sense to:

(a) minimise the use of scarce items such as cement and steel in house-building;

(b) maximise the use of locally-available materials; in particular, those items the production of which does not enjoy significant scale economies (so that investment, employment and income can be distributed over as wide an area as possible); and

(c) use technologies with a low capital/labour ratio (so as to promote employment and save on capital).

Among the suggestions made by the committee were:

(i) replacement of cement mortar with lime-surkhi;

(ii) substitution of load-bearing masonry walls for RCC-framed structures in buildings with a storey height below five;

(iii) recognition of the redundancy and maintenance disadvantages of whitewashing and plastering of walls;

(iv) acceptance of the cost advantages of a tile-and-timber or tile filler-slab roof compared to an RCC-slab roof; and

(v) acceptance of the structural adequacy of load-bearing 4½" brick masonry walls for single storey constructions.

The Committee went into considerable detail in its desire to pinpoint areas where costs could be cut. This led it to making even minor suggestions, such as for replacement of windows not needing to be closed with brick jallis and conventional lintels with brick arches. Also frameless doors were to be used wherever possible. The Committee also recommended the replacement of mechanised bricks with country-bricks for buildings not exceeding two storeys and mosaic or cement concrete flooring with clay tile or brickbat floors. The latter could be topped with a 1:2:4.5 lime-surkhi-sand mortar mix in place of cement.

In its report the Committee also included designs for several types of dwellings to which the Low Cost Technology (LCT) could be applied. It also pointed out some of the wasteful features of contemporary 'sophisticated' design, such as the extensive use of RC sunshades and the use of expensively-cantilevered blocks and slabs as part of facade design.

The Committee believed that once the financial and social benefits of the LCT were pointed out, a "revolution from above" in housebuilding would be launched. The higher-income groups would begin the process of adoption, and their example would be emulated by those below. As for the technical community, special training and orientation courses for engineers, administrators and such other 'decision makers', to point out the benefits of the LCT, would result in their adopting it in their planning. The building of demonstration houses in various colonies and efforts towards ensuring strict quality control and wherever possible standardisation of traditional materials would complete the process of persuasion, it was expected.

To begin the process of persuasion required to convince engineers, administrators and other "decision-makers" of the advantages of the LCT, a seminar on the subject was organised in Trivandrum last month. The seminar was held in the campus of the Centre for Development Studies, all of whose buildings have been constructed using the LCT. The seminar was attended by PWD and Housing Board engineers and architects, as well as by administrators and the political heads of Ministries. All four members of the Committee were present to explain their recommendations.

The PWD and the Housing Board technical staff had, from their point of view excellent reasons for not being over-enthusiastic about the Committee's recommendations. There was, first the fact that the Committee had said nothing that was very new. If its report was to be praised, it would indirectly imply that these simple recommendations had not yet occurred to the Department. More importantly, the question of "scarcity" was hardly the Department's problem. It was the government's responsibility to provide the Department with sufficient stocks of steel and cement. As for cost, the financial estimates made naturally took account of the prevailing material costs, and

using this a programme was drawn up to fit the (given) budget. If the programme was inadequate, what it meant was that the budget needed to be revised upwards.

Finally, many generations of engineers and architects had been brought up on conventional technologies, and a switchover to another would create dislocation. Contract work was organised on the basis of conventional methods, and the use of different technology would upset the procedures that had been carefully developed to the mutual satisfaction of the Department and the contractors.

To prevent the threatened rupture in its traditions and methods of work, the Department offered resistance against the Committee's recommendations. In particular, it aimed at convincing the political leadership that the recommendations were not to be taken so seriously as to be considered for implementation.

The opening gambit in this resistance was a philosophical focusing on prevalent social ills. There was, for example, low production. Cement was scarce, but need it be scarce for ever? Cannot ways of increasing cement production be devised? Why not tackle this problem rather than attempt to throw overboard conventional building methods? Then again, the problem of high costs and waste. This was true of so many places. Government departments, for example, were so grossly overstaffed. There should be economies here. And look at the scarce resources flowing into luxury sectors such as airconditioners and refrigerators. This must be put a stop to at once. The implication behind all this was, of course, that the question of cost reduction went much further than mere house-building.

The proponents of the LCT countered this by pointing out that in the process of cost reduction a beginning had to be made somewhere, and housebuilding, considering the financial magnitudes involved, the employment generated and the welfare provided, was an excellent starting point. Also, several people were going in for conventional designs simply because they were not aware of the alternatives. Many of them would gladly switch to the LCT if the choice were given. Finally, the government, through its executive and financial powers, had a crucial say in adapting designs to social needs. In particular, its own housebuilding programmes could be based on the LCT.

A different approach was then adopted by the opponents of LCT. It was argued that, while the Department fully subscribed to the view that it was essential to reduce costs and in fact had done considerable work in this direction, there were 'practical difficulties' in a general acceptance of the Committee's suggestions. These difficulties were basically that:

(1) Government procedures were so rigid that "experiments" were discouraged. If one departed from conventional methods and a mishap occurred, suspension would be immediate. Such procedures needed to be relaxed. Also, so far the Government had shown very little interest in research. Much more emphasis needed to be placed on this.

(2) The Department could not take the "risks" involved in departing from well-tried conventional techniques and adopting what were basically experiments. This would be playing with public safety. Until the techniques suggested by the Committee were shown to be fully safe, and until good quality, standardised traditional building materials were made available, the Department could not undertake to change techniques in the reckless manner suggested by the Committee.

These points were buttressed by numerous attacks on the LCT, which covered a wide area, ranging from allegations that the Committee "had not made any cost analyses" of the structures recommended by it or that the LCT buildings had a short life or that (unnamed Government teams had submitted unfavourable reports on the technology, to claims such as that burglars could enter LCT dwellings more easily or that the roofs of such dwellings had a tendency to collapse.

One of the interested parties in the debate was not present at the seminar. These were the contractors, to whom the change to the LCT could mean a drastic cut in margins. After all, the open market prices of steel and cement were several times the controlled rates, and through overdesign and other methods at least 15 per cent of these materials could be 'saved' for disposal in the black market. This was for original building. For maintenance works, the proportion of material 'saved' could jump to beyond 50 per cent. Unplastered walls would result in the virtual extinction of the maintenance "saving", and the use of brick and lime-surkhi (for which a blackmarket did not exist) would remove most of the 'savings' from original building. The need for "soundness in design" which naturally meant the use of cement and steel, as well as whitewashing and plastering, needed therefore to be stressed.

However, it was clear that the defences of the Expert Committee were strong and that unless stronger attacks were made the political leadership may intervene in favour of speedy adoption of its recommendations. The members of the Committee made short work of the numerous 'technical' arguments against their recommendations, by pointing out that the suggestions they had made were not novel, and had all been in use often over long periods of time. The Committees recommendations had satisfied the National Building Code, and on all points where the NBC was silent, the recommendations were so designed as to satisfy the British Standard Code. It was clear from the interventions of the two political leaders present (the State Chief Minister and the Housing Minister) that they favoured the acceptance of the LCT.

A fresh strategy, therefore, needed to be evolved. The Department now professed itself ready to accept 'all but two' of the recommendations. It was 'fully aware' of the urgent need to reduce costs. It was prepared to introduce such features as brick jallis and brickbat floors. It was even prepared to use lime-surkhi in place of cement, provided, of course, these were "standardised" and of "high quality". All this and much more it was ready to do. However, as a responsible arm of the Government, conscious of its duty to the public, it could not in fairness adopt the "experiment" of the tile filler-slab roof until its safety was established to its satisfaction, and this may take an indefinite length of time. As for maintenance, it must be remembered that public buildings were exposed to 'several hazards' (students on a rampaging were cited as one) and to provide for all this the design must incorporate "protective" features such as plaster.

In all this, the fact that the tile filler-slab was only an adaptation of the ordinary waffle-slab was overlooked, as also the fact that several buildings had been built over the years with tile filler-slab roofs, and that an inspection of these would be enough to demonstrate that the tile filler-slab was structurally safe. Or that unplastered walls reduce rather than increase the maintenance requirement, because it is plaster that continuously needs to be colour-washed and redone, whereas all that a barebrick wall needs is an occasional scraping. But the Department would not budge from its stand. After all, had it not shown itself to be reasonable by accepting all but two of the Committee's suggestions?

In point of fact, by rejecting the use of unplastered walls and the tile filler-slab roof, the Department was rejecting almost the whole of the Committee's recommendations. This was not only because the roof was a major item of cost-saving. Even at present the Department constructed two or even three-storied dwellings using load-bearing masonry and not RC-frame walls; only the roof was RC-slab and, therefore, needed to be replaced. Also, if the light tile filler-slab roof were not introduced in preference to the heavy RC-slab roof some of the other crucial recommendations of the Committee, such as the use of country-burnt bricks and 4-1/2" walls would also go by default. The wall strength and thickness would need to be increased to take account of the heavy roof, and thereby the Committee's entire approach may be washed away.

However, the political leadership's reluctance to give definite directives in the face of what appeared to be a deadlock between two sets of technical experts, and the statistical fact that "all but two" of the Committee's recommendations had been accepted, carried the day for the Department. A committee was set up to examine the roof question and a two-year deadline was given to it — long enough for memories of the LCT to be erased and for other more vital matters such as "increase production" and "stop government waste" to come to the forefront again. The presence of Department engineers in the Committee, and the fact that they could be expected to overawe in technical discussion the lay members from the Planning Board, worked as a further safeguard in this direction.

The Seminar had some interesting lessons to those interested in the study of institutional behaviour. These included:

(a) The dilemma of the lay political leader in the face of conflicting opinions of technical experts. The resistance put up by the Department proved strong enough to neutralise the desire of the political leadership to make a quick start with LCT. The political leaders were not able to independently assess the merits of the technical arguments put forward. They searched for a consensus and when they found that there was none, wavered. They were unwilling to take the course of boldly accepting the LCT and asking the Department to move ahead speedily in its implementation. They therefore settled for what they thought was a half-and-half solution, but which in actuality favoured the *status quo*; give the Department time to "experiment" with techniques that were already in common use!

(b) The inability of those involved to focus on issues not directly involving them. Arguments about the social desirability of the LCT were almost completely removed from the open discussions, except for an occasional ritual mention. The focus of the Department was on the problems it would face in a switchover, and this outweighed in its view the advantages for society as a whole of such a switchover. This constricted focus on one's own interests came out clearly at the Seminar

(c) The capacity to get diverted from facts to metaphysics. Repeated attempts were made to divert the discussions from considerations of technical suitabilities to metaphysical considerations such as "taste". Allegations against the LCT were often so vague that they could not be pinned down and answered. Again and again, words such as 'safety' and 'risk' were used to imply that the LCT was unsafe, without stating clearly the technical reasons for this apprehension.

The Seminar clearly showed that reliance on 'consensus' and 'percolation' is not enough to break down institutional barriers to innovation. Strong drives by a determined political leadership is essential. If this not forthcoming, the old quietly overwhelms the new.

SPACE RESEARCH

Unspelled Objectives

R S Ganapathy

THE annual report of the Department of Space for 1973-74 starts with the statement: "During the year 1973-74, the Department of Space (DOS), continued its activities on space research" — as if to reassure, readers that the Department had not forgotten its *raison d'etre*! The report then describes a series of projects at its various units, in Trivandrum, Ahmedabad, Sriharikota (near Madras) and Bangalore. The linkages among the projects are not, however, very clear

What ought to be the objectives of research into the peaceful uses of outer space in India? There is the clear urge to undertake a moderate programme in order to be a 'somebody' in outer space. Its potential applications in communications, television, meteorology resources survey and remote sensing are also significant. It is also the technology of the future. Granted that India would derive considerable benefits from such applications, what should be our goals? In view of our severe resources constraint we should aim to develop only a communication satellite by the early eighties. The use of a satellite for TV transmission, except as a national hook-up facility, is of limited value to India. Without massive investments and clear social policies, use of satellite TV, as a means for social change and national integration, is doubtful.

For telecommunications, however, a satellite is cheaper and is clearly more advantageous than the conventional microwave links. It can be a powerful aid to supplement existing terrestrial means. But in meteorology, natural resources survey, geodesy, and remote sensing the satellite has limited advantages. It might have been useful to know if one satellite could do all these things, how big it would have to be when it would need to become operational, what strategies are required in other sectors to ensure co-ordinated development, etc. On all such questions the annual report is mum. While nevertheless it is true that the space programme has clearer objectives than say the CSIR, these objectives are not still specific enough. Motivation and results are not possible without such a specific objective statement about our satellite; and such a goal can be set only after detailed examination of other social goals and assessment of the technological means for achieving them.

The major share of the expenditure on space is for developing the launching capability (rockets, fuel, control mechanisms, etc). The first Indian satellite, meant purely for scientific studies, will be launched shortly from a Soviet Cosmodrome by the Soviet Union. And it is planned that future satellites will be launched by India itself. While the benefits of the satellite are clear, the logic of developing our own launching capability is not so evident. It seems feasible that we could continue to get our satellites launched by friendly countries; we would thus cut our space programme expenses considerably. Indigenous launching capability can be justified only on defence grounds; unfortunately, the defence objectives of our space programme have never been spelt out clearly. That they exist cannot be disputed. A clear articulation would help to understand the logic of the current outlays on launchers.

From the list of activities of the Department, it is clear that it wants to play a major role in 'applications'. However, this is undesirable for many reasons. The executive responsibility for the applications must rest with the user agencies, who ought to have the options to choose the appropriate technologies for their missions. Space technology is just one of the alternatives, and development of unit-technology-oriented applications is a dangerous precedent. For example, the Ministry of Communications must be responsible for developing communications and they should be free to decide on the use of space technology. Similarly, the Ministry of Information and Broadcasting, the India Meteorological Depot, the Geological Survey of India, etc, must be responsible for their own programmes. If DOS wants to do some work in these applications, it should get funded by the potential users, rather than by the exchequer directly. Its own programmes should continue to be in space-research technology, rather than in applications.

The programme on space sciences — mostly basic research — is being carried out at Trivandrum and in the Physical Research Laboratory at Ahmedabad. Its objectives are not clear. There is a need to increase the programme content of the basic research.

The capability already built up by DOS over the past few years in different technologies has relevance to many industries. It is not clear from the report how DOS is planning to use this resource for general industrial/economic development of the country. It may be worthwhile to invest further in the exploitation of existing knowhow than in the generation of new knowledge.

Strangely enough the role of educational institutions and industries in sponsored research programmes and in technical collaborations is not elaborated. It is the bane of many Indian scientific organisations that they do everything 'in-house' and this seems characteristic of DOS as well. The use of external institutional resources for the DOS programmes ought to be higher. Similarly, duplication of research facilities needs to be avoided. For example, the Department of Science and Technology is setting up a National Remote Sensing Agency at a time when the Department of Space too is setting up a Remote Sensing Agency with the same objectives.

The phenomenal growth in the outlay on the space programme (from Rs 4 crores in 1969-70 to Rs 19 crores in 1973-74) must have resulted in a number of managerial problems which find no mention in the report. In fact, it is well known that industrial relations are a major problem in Trivandrum but these are not even mentioned. The legal status and public accountability of the Indian Space Research Organisation, which is responsible for the programme and is fully funded by government, are also not clear. The Space Commission, in spite of being the top policy-making body, finds no mention in the entire report.

The annual report is otherwise well produced, though somewhat bureaucratic in style. It has a different format and layout from other annual reports of government departments, and it does give some financial and statistical information about the programme. But the real problems seem to be glossed over, and only the non-controversial and not easily understandable details are presented. Hoarding information is a common practice among government departments — and it is a bureaucratic source of power. The DOS is no exception. Openness, sharing of information, and high public accountability, appear to be alien to this organisation involved in the frontiers of technology.

MALAYSIA-CHINA

Give and Take

Harish Chandola

MALAYSIA'S foreign policy has changed significantly since Tun Abdul Razak took over the Prime Ministership in October 1970. The biggest change in its policy has been its decision to establish diplomatic relations with China. Abdul Razak is visiting Peking (May 28 to June 2) to sign an agreement for the establishment of diplomatic ties.

For 13 years, during the Prime Ministership of Tungku Abdul Rahman, China used to be the daily target of attacks and condemnation, first in Malaya, and then later when it grew into Malaysia in 1963 with the addition of Sarawak and Sabah. It was said then that Malaya's or Malaysia's biggest problem, the armed insurgency of the Malayan Communist Party, was nothing but an activity sponsored by China to establish its hegemony over South-East Asia, a region close to China.

The day it was born (August 30, 1957) as an independent nation, Malaya was greeted by Prime Minister Chou En-lai who sent a message to its first Prime Minister, Abdul Rahman, expressing the hope that "friendly relations between China and Malaya would be daily strengthened and developed". China wished to establish relations with Malaya on the basis of the Five Principles of Peaceful Co-existence as enunciated in the Bandung Declaration. But Abdul Rahman rejected the friendship of China. He did not even reply to the message of greetings sent to him by Chou En-lai. Not only did Abdul Rahman describe China as hostile to the nations of Asia, but he went ahead and established relations with all the anti-China regimes in the continent, like those of Taiwan, South Korea and South Vietnam.

Malaya remained tied to Britain on matters of defence. It signed the Anglo-Malayan Defence Agreement (AMDA) in 1957. This agreement came to an end as a result of the decison of the British government in January 1968 to withdraw most of its troops from Malaysia and Singapore by 1971. The AMDA was then replaced by the Five-Power Defence Arrangement between Britain, Australia, New Zealand, Malaysia and Singapore, which came into force on November 1, 1971.

It was Abdul Razak who on succeeding Abdul Rahman decided to give his country a truly non-aligned foreign policy, by establishing friendly relations with all countries, including China and the East European nations. His first step in this direction was to establish diplomatic relations with various East European countries, including East Germany. (Albania is the only country in that region with whom Malaysia does not have relations yet.) Malaysia had established diplomatic relations with the Soviet Union earlier — in 1968. Last year Malaysia signed agreements to establish diplomatic relations with North Korea and North Vietnam.

In November 1971 Malaysia called a conference of the Foreign Ministers of the five countries which together form the Association of South-East Asian Nations — Thailand, Malaysia, Singapore, Indonesia and the Philippines. The conference adopted the Kuala Lumpur Declaration which stated that South-East Asia should be regarded as "a zone of peace, freedom and neutrality, free from any form or manner of interference by outside powers". Malaysia wanted the support of the major powers for the Declaration. China was not only a very large and close neighbour but also a major power. It was Abdul Razak's desire to establish friendly relations with Peking right from the time he assumed the Prime Ministership, but after the adoption of the Kuala Lumpur Declaration it became a matter of urgency for him to do so.

Malaysia then initiated informal contacts with China, first to find out if it was interested in opening talks on the establishment of trade and diplomatic relations. The first informal contacts were made by the then Malaysian High Commissioner to Pakistan, Mohammed Sopiee, with the Chinese Ambassador there. Almost at the same time similar contacts were established by Zakaria Ali, the Malaysian High Commissioner to Canada, who speaks Chinese fluently, with the Chinese Ambassador to that country, Huang Hua. The response was good. It was then decided to open talks on this subject officially. The talks began in New York in June last year. The Malaysian team was led by Zakaria Ali who had then been posted as his country's Permanent Representative to the UN, and the Chinese team by Huang Hua who too had been posted as China's Permanent Representative to the UN.

Initially China wanted to discuss only matters relating to the establishment of diplomatic relations. But Malaysia wanted to bring up and settle other matters also. It sought to know China's attitude towards the Malayan Communist Party, which is still waging an armed struggle from its bases in the jungles along the Malaysia-Thailand border, and towards the 220,000 stateless persons of Chinese origin living in Malaysia. The Malaysians expressed their suspicion that the radio station called the "Voice of Malayan Revolution" — which broadcast commentaries on the Malaysian situation daily in the three languages of Malaysia, Malay, Chinese and Tamil, and called upon the Malaysian people to support and strengthen the armed struggle of the Malayan Communist Party, — was located in the southern part of China.

After a short deadlock, China agreed to talk about these and other issues. It is now reported to have agreed to provide Chinese citizenship to about 151,000 stateless persons of Chinese origin in Malaysia. The question of the remaining stateless persons is to be discussed later. China is reported to have categorically denied that the radio station, the "Voice of Malayan Revolution", was located in China or that China had anything to do with it. It is also reported to have stated that the struggle led by the Malayan Communist Party was an internal affair of Malaysia, with which China had nothing to do.

On the other side, Malaysia will break off its consular relations with Taiwan before establishing diplomatic relations with China. It will close down the Taiwan Consulate-General in Kuala Lumpur and also the offices of Taiwan's Cathay Information Service, an anti-China propaganda organisation. Taiwan wants its Consulate-General in Kuala Lumpur to be turned into its trade and tourist offices, like it has done in Japan after the establishment of China-Japan diplomatic relations. It is not known if Malaysia will permit it to do so. Similarly, Taiwan wants its carrier, China Airlines, to keep flying to Kuala Lumpur and the Malaysian Airlines System to continue calling at Taipeh on its Kuala Lumpur-Tokyo run. Since it is unlikely that China will start an air service to Malaysia in the near future, Taiwan is likely to continue its air links and also perhaps its trade links with Malaysia.

While in Peking, Abdul Razak will certainly seek China's support for the Kuala Lumpur Declaration of November 1971, which wants the major powers to respect South-East Asia as a neutral zone. China has indirectly voiced support for this proposal, but it is to be seen if it is going to endorse it entirely. The US still has its troops stationed in Thailand and it maintains a large naval base at Subic Bay in the Philippines. A war is still going on in Cambodia and the ceasefire in South Vietnam is becoming untenable. In such a situation, will China be prepared to accept South-East Asia as a "zone of peace, freedom and neutrality"? To accept it as such is to accept the *status quo* in this region and indirectly accept regimes like that of Thieu and Lon Nol.

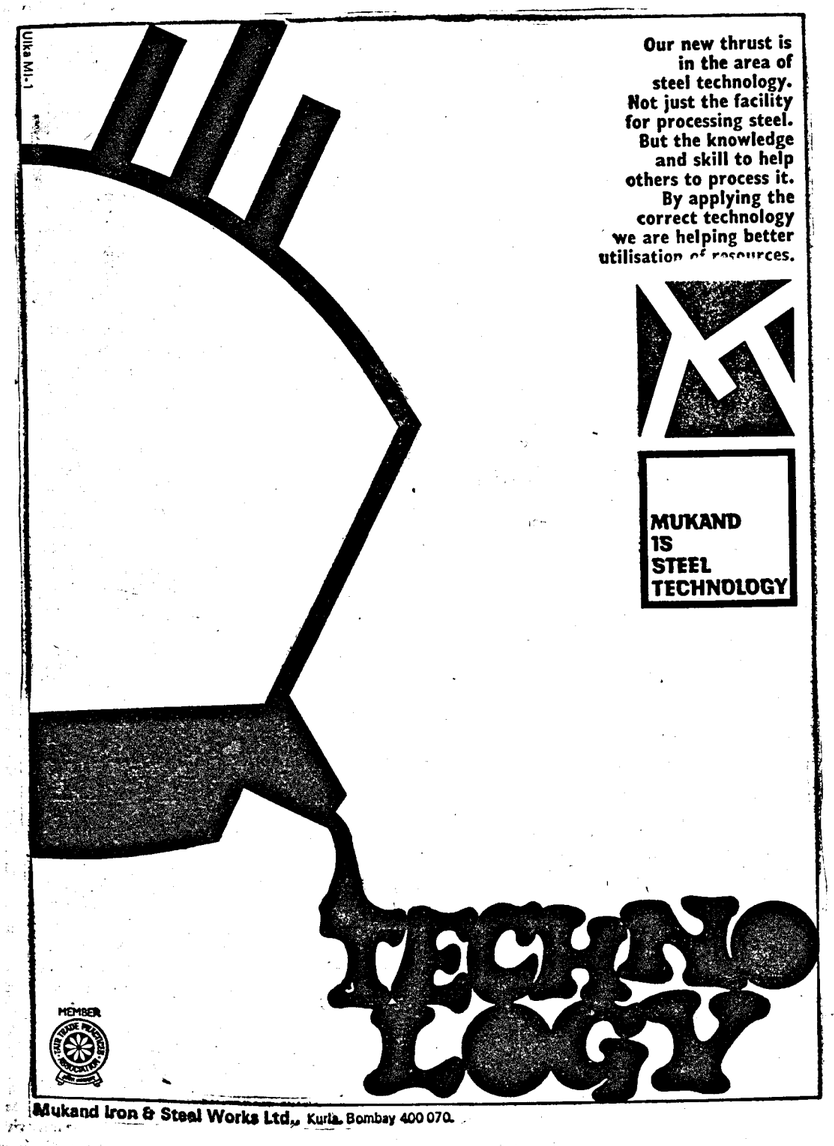
Some observers have commented that since various Western countries have established ties with China, there is nothing new in Malaysia also establishing similar ties with China. But for China, South-East Asia is not like Canada or Italy. It is a region immediately next to it. In it live over 15 million people of Chinese origin who are still very much linked by language, culture and pride to China. In this region China has historically wielded a considerable amount of influence.

Why is Malaysia keen to establish relations with China? Apart from its desire to appear genuinely non-aligned by establishing friendship with all, Malaysia stands to benefit from this relationship. Nearly 44 per cent of Malaysia's population is of Chinese origin. By establishing friendship with China, the Malaysian leaders can create a more favourable place for themselves in the hearts of the Malaysian Chinese, at least for the time being.

But an even bigger benefit for the Malaysian leadership at the moment is that its agreement with China creates a good deal of confusion in the ranks of those who are supporting an armed struggle in Malaysia and who consider China as their staunchest ally. Perhaps this confusion does not occur in the minds of the leadership of the elements conducting the armed struggle, but it does, for the time being, greatly confuse the rank and file. How could China, their staunchest ally, establish friendly relations with a leadership which they regard as their enemy? For whatever period it might last, this confusion is going to be of great benefit to the present Malaysian leadership. After all, the only firm opposition enemy in the country is the Malayan Communist Party, which has been struggling for the past 30 years, which has never given up its struggle and which has an organised, disciplined, ideologically-oriented armed force at its command, however small it might be at the moment. There is no other force in the country which can threaten the present Malaysian leadership.

By establishing this relationship with Malaysia, China perhaps wants to make it abundantly clear that liberation struggles or revolutions in Asia or elsewhere have essentially to depend on their own strength for their success. They cannot succeed on the basis of the strength of China. China has never marched its army in support of a liberation struggle anywhere. Neither is it going to do so in the future. Ideologically it will perhaps continue to support these struggles and perhaps materially also when such support may be of crucial importance to their progress. But China is not going to wait for the success of these movements before establishing relations with various countries.

As a state, in conflict with other states and forces, China perhaps feels



that it must take certain steps to conduct its business in international affairs. For instance, it finds the Soviet Union rapidly establishing relations with Asian governments around China. China therefore, perhaps, feels that it cannot allow itself to be isolated by maintaining no direct contact with governments in its neighbourhood.

There is, however, just one question that some observers in this region are asking at this juncture when Malaysia and China are going to establish relations. They think it is perfectly all right for China to assert that liberation struggles and revolutions are the responsibility of the peoples of the countries where they are taking place. They say, in the past — as now — China used to say that these struggles were the responsibility of the peoples conducting them, but China also used to state that it would always support them because that was its internationalist duty. But now China may not wish to re-iterate the latter proposition.

THE FOURTH ESTATE

The Image-Builders

Nireekshak

EDITORS from Gauhati to Rajkot and Srinagar to Tirunelveli went to town with the May 18 nuclear blast story. The fall-out of reaction, predictably, ranged from jingoistic rhetoric to sober assessments of the potential of nuclear energy for peaceful uses in India. But it was one kind of conformism or the other with little positive dissent. Almost everyone seemed to regard it unpatriotic to question the timing of the test. It was fairly well known in New Delhi that the blast would come sometime after the crucial Uttar Pradesh elections in February as part of an image-building exercise on behalf of the Prime Minister. However, the Press, in its preoccupation with the railway strike, found that the story stole on it unawares.

The Cabinet had met that morning and an innocuously-worded two paragraph hand-out was all that was distributed to correspondents who made their routine call at the Press Information Bureau. The hand-out would not even disclose the exact location of the experiment. The drama was reserved for the afternoon. The Prime Minister was present to introduce Sethna and Ramanna to the hurriedly-called press conference. Adequate international TV coverage of the event was ensured even if all the Indian correspondents who mattered could not be informed of the conference. The Prime Minister's presence was interpreted as a rare gesture of honour for the two scientists. No one would say that her presence was perhaps aimed at underlining her own role in the achievement. Atomic energy is the only portfolio the Prime Minister holds after Home was handed over to Uma Shankar Dikshit and Inder Gujral was given independent charge of the Information and Broadcasting Ministry.

The Prime Minister's presence at the press conference made history of sorts for the correspondents present because she has of late restricted formal meetings with the Capital's press corps to once a year, either on the last day of the year or on New Year's Day. The complaint often heard is that she talks more to the press when she goes out of New Delhi, though her contention has been that her impromptu encounters with the Press in New Delhi — at the airport or in the corridors of Parliament House or in South Block — are no different from press conferences even if they are brief and are not proper "sit-down" affairs. But one cannot help the feeling that she is not very accessible to the Press while in New Delhi and that she has got used to making the more important statements when she is away from the Capital.

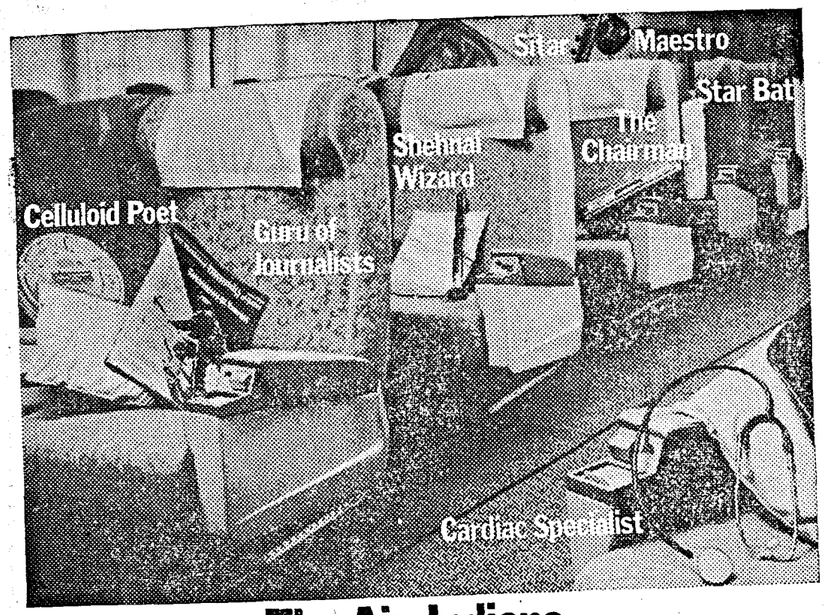
Three days after the nuclear blast, the Prime Minister gave a long interview with a *Newsweek* team of two visiting journalists. The interview was on the basis of subjects for discussion made available to her in advance. The interview, which yielded a 26-page transcript, followed a harsh write-up on India in the journal a few weeks earlier. The transcript was made available to the Indian press by the Prime Minister's aides.

If one remembers right, the Prime Minister has not given such a wide-ranging interview to any Indian journalist in years. Barring pro-CPI journals, the only interview given to an Indian journalist during the last 12 months was to the biographer of her mother and was largely of a non-political nature.

It is far easier for visiting journalists to get an interview with the Prime Minister than it is for foreign journalists based in New Delhi. Since 1966, there have been several grotesquely written-up interviews by visiting foreign journalists, some of them women. Some of the journals and journalists were of doubtful professional standing but the defence put forward, when one such interview appeared, was that is difficult to screen all those who seek interviews with the Prime Minister. On another occasion, when a journalist of the standing of the editor of *Dawn* from Karachi interviewed her, the tape-recorder failed. When the interviewer, who did not feel the need for taking notes because he saw the tape-recorder grinding away, asked for the transcript, the Prime Minister's press aides discovered that the instrument had let them down. The interview was virtually redone, this time by post and the *Dawn* published an explanation of the gap between the editor's return from India and the publication of the interview.

The easy access that visiting foreign journalists have to the Prime Minister is partly due to the anxiety of her press aides to build her image abroad. In the process, communication between the Indian press and the Prime Minister is one of the casualties. And this, ironically, at a time when the Prime Minister has professional Press advisers. Such advisers were unknown in Nehru's days nor did Lal Bahadur Shastri have a press adviser. The upshot is a remarkable increase in communication between the correspondents and the advisers and a near lapse of communication between the Press and the Prime Minister.

In the early years of Independence, one of the jokes going round New Delhi's press world related to the high and mighty political correspondents and the Prime Minister. If one met the Prime Minister's personal assistant, he would tell everyone that he had met the Prime Minister. And if he chanced to meet the Prime Minister himself, he would tell others about how he had advised the Prime Minister on how he should handle this or that problem. But these days, the Capital's five-star correspondents are content to drop the names of the Prime Minister's policy or press advisers. That is the nearest they get to the Prime Minister.



The Air-Indians.

You know them, we fly them.

Who are the Air-Indians?

You know them all. They are Indians who have put their country on the world's industrial map, Indians who have carried the liquid notes of their music to distant lands, Indians whose films have lent a lyrical vision to world cinema, Indians whose feet have transmitted the rhythm of Indian dance across the seas, Indians who are leaders in sport, in science, in technology. Air-Indians are Indians who are proud of their country, proud to fly their country's airline.

When you fly Air-India, you fly with your people, your culture and your flag. In fact, when you fly Air-India, you fly your very own airline.

Be an Air-Indian

Fly Air-India

AI 427

Women and Economic Development

Sondra A Zeidenstein

Woman's Role in Economic Development by Ester Boserup; London: George Allen and Unwin.

ESTER BOSERUP, a Danish economist, has written a book that should be read by all those involved or interested in the economic and social development of poorer nations. "Woman's Role in Economic Development" is one of the few studies concerned with what happens to women, as socially and economically productive members of society, when a nation begins to modernise its agricultural and urban life. Her analysis indicates that 'development' frequently causes a decline in the productivity and status of women. If this is so — and she is the first to suggest that more basic information and further study are needed to determine the validity of her conclusions — then planners and their advisers must become more conscious of the effects their plans have on women and weigh what is being lost against what is being gained both on the economic and human scale.

Boserup looks at what has been happening to women in developing nations as modernisation takes place in the village and the town and in the process of migration from the one to the other.

At the village level, in the earlier stages of development, families produce and consume their own goods, dividing labour along sex lines which, though they differ from culture to culture, each culture considers "natural". Among the areas she is considering — Asia, Africa, Latin America — Boserup describes two basic kinds of agriculture, differentiated in part by the roles women play. Women do much of the work involved in farming in many parts of Africa (and a few in Asia and Latin America) where the land is sparsely populated and there is shifting cultivation on small plots. Where agriculture is dominated by women, wives command a high bride price; they work hard, often are expected to support themselves, but have freedom of movement and some economic independence from the sale of their products. Male-dominated agriculture, usually in densely populated areas on larger pieces of land, privately owned, is characterised by the use of the plough, work animals and hired labour, which may include poor or low-caste women. The farmers' wives usually live in seclusion, doing work related to harvesting and caring for animals. They are totally dependent on their husbands for support.

While modernisation has had negative effects on both groups of women, it is the former that has been most obviously neglected. Many colonialists, Christian missionaries and American and European advisers have assumed, even where the culture indicated otherwise, that farming is man's work and, by giving opportunities exclusively to men and even, in some cases, undercutting women's traditional rights to own land by their male-oriented land reform policies, have contributed to lowering the status of women who, not allowed to move ahead with the men, are then perceived as "backward". Men have come to monopolise new agricultural methods and use them for cash crops while women, the original farmers, who have not been encouraged to go to school or given the chance for agriculture courses or extension services, continue to use traditional methods for food crops.

Other economic activities of women in developing countries vary from culture to culture, but modernisation seems to have neglected or hurt them all. In the traditional trading sector there are especially wide variations in the participation of women from one country to another. In Ghana, for example, 80 per cent of the labour force in trading is female while in Pakistán the figure was 2 per cent. But the trend in many developing nations, whether traditional trading has been predominantly female or not, is that jobs in the modern trading sector go to men.

In countries where the culture prevents women from doing anything outside the home, they may work in home or cottage industries, an initial step in entering the labour force. Where many women are available for such work and their goods must compete with those of modern industry, the wages of course are quite low. Men, who may have been working with women in home industry, go to factories when they open up and, with an increase in wages and productivity, attain an increase in status. And if factories take over from home industries, women lose their jobs.

In the urban world where factory work is available, women again are relegated to lower status and productivity. In modern industry, Boserup points out, there are only two kinds of jobs, and in developing countries the salary differential between them is high. One is for those who have had some training and will have a chance for promotion; the other is for the unskilled or "helpers" who will not have a chance to move ahead. Though men are hired for both kinds of jobs, women as a rule are hired only for the latter.

The employment situation of educated women in developing countries is new, but still, according to Boserup, a trend is developing. Few women anywhere are in administrative jobs; the percentage is higher where Americans have been influential. The ratio of women in the professions seems to be related to the ratio of women in the student body, but the professions women concentrate in are medicine, teaching and nursing. In Asia and Africa at the stage of development when the demand for women in these professions exceeds supply, few women take clerical jobs. But as educated women begin to have difficulty finding jobs in "appropriate" professions, the pull is toward office jobs. Educated middle-class women seem to be turning to low grade clerical jobs which, as Boserup points out, may improve their status *vis-a-vis* their husbands by giving them some measure of economic independence, but will lower their status in the labour market.

In her concluding chapters Boserup looks at development policies that would benefit both women and society as a whole. She pays special attention to the question of employment of urban women whose economic productivity has often been lost in the process of migration from the village. Most of the work women did as part of subsistence activity in the rural area must be paid for with cash in the city. As much as one-half to two-thirds of the husband's income from his city job is spent on goods and services that were produced at home in the village, at least in part by the women. Now she stays at home and his productivity is offset by the loss of hers. Even women who were employed in the service sec-

tors in towns tend to decline in economic productivity as a result of migration to the city.

Yet many planners, almost as a matter of course (or cultural bias) argue against employment of urban women because of high unemployment among men. Boserup presents some important counter-arguments. First of all, she points out that thinking about unemployment is often confused. Several surveys in developing countries indicate that unemployment among new unskilled migrants is relatively low either because news about the urban job situation is available in the villages or because migrants unable to find jobs return to the villages, where they usually can find at least seasonal work (and where, if the agricultural sector develops as it should, there will be need for their labour). If urban women are more widely hired for jobs, it is possible that fewer unskilled labourers will leave their villages.

Unemployment among educated males in cities is higher. Boserup sees this as a natural phenomenon when the numbers of educated are continually expanding but the literate are not yet ready to take jobs traditionally held by the illiterate. (Among literate populations, of course, all jobs are held by the literate.) These people may be quite noisily against the hiring of women but to yield to them is to postpone, through injustice, an unavoidable step in the process of development. It is an urgent step in the light of the need for literate workers to remain in the village.

In addition, hiring urban women whose husbands are already employed will cut down the amount of costly urban infrastructure required when an urban family produces only one worker.

To prevent further decline in the status and productivity of women with modernisation, Boserup emphasises the need for proper education and training for women. In the beginning, both men and women were economically productive and both sexes were equally illiterate and superstitious. Now as the result of modernisation men are getting formal training and education and using modern techniques while women continue to get educated in old ways by their mothers and, as a result, are preceived as backward. To avoid creating a backward class whose decline in status and productivity are bound to offset socially and economically more visible gains, developers must provide and encourage education and job training for women. Jobs for rural women are a necessity now, to provide an incentive for educated women to stay in the village and to offer some alternative to achieving status besides having babies. Jobs for urban women will become increasingly important because, unlike the situation in the West at this stage of industrialisation, taking care of a family will not be so time-consuming and women will be freer to work outside the home.

Boserup's study, supported by invaluable tables reflecting the pattern of female employment in developing nations, reveals a clear trend. No doubt more data are needed from social scientists in specific areas, especially South and West Asia, but equally important is commitment to women as people. It is possible that many social scientists and planners have class and caltural biases about the role of women in society that keep them from seeing what is happening to women as modernisation takes place. Reading Boserup's book may help remove these biases.

Industrial Finance Corporation of India

6 PER CENT BONDS 1986

Payment of Interest and Repayment of Principal Guaranteed by the Government of India

AMOUNT OF ISSUE Rs. 7,25,00,000
ISSUE PRICE Rs. 100.00 PER CENT
REDEEMABLE AT PAR ON THE 10TH JUNE 1986

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 Ahmedabad, Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi, and Patna from Monday, the 10th June 1974. The list will be closed without notice as soon as the total subscriptions amount to Rs. 7.25 crores, and in any case, not later than the close of business on Friday, the 14th June 1974. The Corporation reserves the right to retain subscriptions received upto 10 per cent in excess of the sum of Rs. 7.25 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 10th June 1986. These will bear interest at the rate of 6 per cent per annum from the 10th June 1974. Interest will be payable half yearly on the 10th December and 10th June 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 regional/branch/sub offices at (i) Mehta Mahal (5th Floor), 15, Mathew Road, P. B. No. 3928, Bombay-400004 (ii) 4, Mangoe Lane, (2nd Floor), P. B. No. 2483, Calcutta-700001 (iii) Raji Building (3rd Floor), 147, Mount Road, P. B. No. 1080, Madras-600006 (iv) Jivabhai Chambers, Ashram Road, Ahmedabad-380009 (v) 22, Mahatma Gandhi Road, P. B. No. 5091, Bangalore-560001 (vi) 6-3-631, Zilla Parishad Road, Khairatabad, P. B. No. 11, Hyderabad-500004 (vii) Jeevan Tara Building, First Floor, Gate No. 3, 5 Parliament Street, P. B. No. 182, New Delhi-110001 (viii) E-1/23, Arera Colony, Bhopal (ix) 20, Forest Park Area, Bhubaneswar-751009 (x) Bungalow No. 216, Sector 11-A, Chandigarh-160011 (xi) 'Karuna' (2nd Floor), XXIII/1311-D, Mahatma Gandhi Road, Ernakulam, Cochin-682011 (xii) Kanram Medhi Road, (Ranibari Lane), P. B. No. 30, Panbazar, Gauhati-781001 (xiii) S. B. 38/A, Bhawani Singh Marg, Bapunagar, Jaipur (xiv) Aggarwal Building, Canal Crossing, The Mall, P. B. No. 319, Kanpur-208004 (xv) 43, Pataliputra Colony, Patna-800013.

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 15th May 1974.

C. D. Khanna
Chairman

davp 806 (1)/74

Deep Malaise

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Telengana People's Struggle and Its Lessons by P Sundarayya; Communist Party of India (Marxist), Calcutta, 1973; pp 502; Rs 10.

P SUNDARAYYA'S book on the Telengana uprising is the latest addition to the literature dealing with this momentous event which spans the pre-Independence and the immediate post-Independence periods in the country's history. What makes the book significant is the fact that the writer was an active leader of the struggle and has continued to be an important political figure.

Sundarayya's description of the Telengana struggle is detailed, though most of the facts are by now familiar. The initial success of the movement, as is well known, was due to the initiative of the local leadership of the Andhra Maha Sabha (AMS). In the anti-feudal struggle against the 'Nizam-shahi', the communists within the AMS organised the peasants — poor, middle and rich — as also the urban bourgeoisie. Their military equipment and skills were primitive, but the repressive machinery of the Nizam was hardly more impressive. As a result, the AMS scored considerable successes. Large areas were liberated, land distribution programmes were carried out and the struggle broadened.

The situation, however, changed completely after August 15, 1947. The factors that had helped initially ceased to operate once the Indian army intervened the following year. The middle class which had supported the AMS in the anti-Nizam struggle, began to dither once the struggle came to be directed at the Nehru regime which, to large sections of the middle class, represented their class interests. Second, the communist partisans armed with spears and flintlocks were poor match for the well equipped Indian army. The Telengana partisans had neither the organisation nor the equipment and training to face the new situations. As the author says. "Knowledge of use of firearms, of their manufacture and repair was so dismally poor that even great enthusiasm and sacrifice would not overcome it." Further, on the question of military organisation: "the communists could not combine and develop small-scale guerilla actions for harassing the enemy into sufficiently large-scale operations, to drive out the enemy from their scattered posts and clear the enemy from larger and larger areas".

The mass front that had been built up when the struggle was against the Nizam's regime broke up and there was confusion about who constituted allies and who enemies in the struggle. This was not a unique problem faced by the Telengana movement alone. Bhowani Sen, who led the Tebhaga peasant struggle in the then Bengal at about the same period writes about that movement: "The working class and middle class did not support the sharecropper's struggle in Bengal." The peasantry had also alienated the middle and small jotedars, the local landlords who should have been weaned over to the side of the fighting peasants. Sen admits: "We should have advised the adhiars [sharecroppers] to exempt petty jotedars from the operation of Tebhaga and concentrated against the richest and biggest". In parentheses, it may be mentioned that from this diagnosis, some rather odd prescriptions did follow. Thus in the following year, at the first rumblings of dissatisfaction among the Bengal peasants during harvesting time, the peasantry was promptly warned "not to launch direct action this year as they did last year". They were further advised that "the government must be given an opportunity of fulfilling its promise through legal change."

The crucial question to be answered is whether factors such as the military weaknesses and failings or the failure to forge alliances of the peasantry with the urban proletariat and the middle classes can be taken as the real causes of the failure of Telengana — and, for that matter, of practically all communist-led movements in the post-Independence era — or whether they are the symptoms of more fundamental weaknesses of the Indian communist movement?

The author devotes a great deal of attention to the role of the Comintern in influencing the fortunes of the Telengana struggle. However, instead of going into the details of the polemics on this subject, it would be more fruitful to look within the Indian communist movement itself for the forces that have time and again thwarted the Indian people's genuine desire for change as typified in Telengana and in Tebhaga. Though communists cannot afford to ignore the question of the international political-ideological line, it is a political crime to pursue a line unmindful of the actual internal situation, which is what the CPI leadership did. A reference to what happened in China during its liberation struggle might put this point in perspective. After the abortive 1927 uprising, the Cominform sounded a note of caution and urged the CCP to go slow with the idea of rural bases. The Chinese communists, however, went on to set up a base in a remote area of the country and began work to extend it.

The Indian communist leadership has repeatedly failed to fully grasp the situation within the country. As a result, it has always looked to outsiders for rectification or for enunciation of the political line. At one time, following Cominform advice, it neglected the bourgeoisie, and concentrated on the working class and on straight economic demands. The peasantry was accorded a lower priority in its political framework, though it constitutes the majority of the Indian masses. During most of the post-Independence period, the communists have tried to organise the peasantry through the All-India Kisan Sabha, which is little more than a movement to improve the peasants' economic condition.

It was in a similar state of unpreparedness that the CPI was called upon to take up the leadership of Telengana. This was fully reflected in the manner in which the leadership acted. From innocuous economism it switched to a call for insurrectionary uprisings throughout the country in support of the Telengana peasants. Naturally it was organisationally unequal to the task.

Confessions of such failures are there in this book. But the reasons put forward are hardly credible. The original sin of the Indian communists was their failure to grasp the political situation in British India and to lead the anti-colonial struggle. Misconceived land reform programmes or alienation of the middle classes and similar programmatic defects flow out of this. The author avoids this aspect of the problem. As a result, his account is reduced to an apologia for the writer and the group he belongs to and an accusation of those who chose to disagree with them.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

BOMBAY SUBURBAN ELECTRIC SUPPLY, LIMITED.

(Incorporated on 1st October, 1929 under the Indian Companies Act VII of 1913)

Registered Office: Nagin Mahal (6th Floor), Veer Nariman Road, Bombay - 400 020.

ANNOUNCEMENT REGARDING ISSUE OF 50,000-9.8% Cumulative Redeemable Second Preference Shares of Rs. 100/- each at par and * 1,00,000-8.5% "F" Class Redeemable Convertible Debentures of Rs. 100/- each at par

*** (Declared by the Government of Maharashtra as "Public Securities" under Section 2 (12) (d) of the Bombay Public Trusts Act, 1950**

Persons interested in full details may obtain copies of Prospectus and Application Forms from the Registered Office of the Company, Underwriters, Brokers or Bankers to the ISSUE.

The Subscription List will open at the Commencement of Banking Hours on Thursday, the 20th June, 1974 and will close at the close of Banking Hours on Monday, the 1st July, 1974 or earlier at the discretion of the Board of Directors of the Company but not earlier than the close of Banking Hours on Saturday, the 22nd June, 1974.

HISTORY AND BUSINESS OF THE COMPANY:

The Company was incorporated on 1st October, 1929, as a Public Limited Company under the provisions of Indian Companies Act, VII of 1913, in Bombay with the objects as fully stated in the Memorandum of Association of the Company. The Company since the date of certificate of commencement of business is engaged in the distribution of electricity to consumers within its licensed area of supply, which comprises portions of the Island of Salsette in the south taluka of Bombay Suburban District and North Salsette taluka of Thana District, the overall area is approximately 368 square kilometres. The electricity distributed to consumers is purchased in bulk from Tata Hydro Electric System. Bulk supply is received at several points within the licensed area, and is distributed to consumers through a network of distribution mains and sub-stations. The Company is also engaged in the Business of Contract Work such as installation of various electrical and mechanical machineries through its Contracts Division.

OBJECTS OF THE COMPANY:

This Issue is being made to meet the shortfall on Capital Expenditure required for expansion of electricity distribution facilities and would mainly cover expenditure on laying cables, underground and overhead, installing plant and machinery and constructing building for sub-stations etc.

SHARE CAPITAL:

Authorised :

		Rs.
* 2,50,000	Shares of Rs. 100/- each.	2,50,00,000
5,00,000	Equity Shares of Rs. 100/- each.	5,00,00,000
* 2,50,000	Unclassified Shares of Rs. 100/- each.	2,50,00,000
		10,00,00,000

* Note: 1,75,000 Shares of Rs. 100/- each issued as Equity Shares and, 75,000 Shares of Rs. 100/- each issued as 9.5 per cent Cumulative Redeemable Preference Shares.

Issued, Subscribed and Paid-up (As on 30-11-1973):

			Rs.
1,75,000	Equity Shares of Rs. 100/- each fully paid		1,75,00,000
	Of the above shares, 14,300 shares (including 460 shares out of the 4,990 Bonus Shares referred to hereafter) are allotted as fully paid up pursuant to a contract without payment being received in cash, and 4,990 shares are allotted as fully paid up by way of Bonus Shares by transferring Rs. 1,70,020 from Premium on Shares and Rs. 3,28,980 from General Reserve.		
83,379	Equity Shares of Rs. 100/- each fully paid converted from 7 per cent "B" Class Convertible Debenture Loan.		83,67,900
50,000	Equity Shares of Rs. 100/- each fully paid.	Rs 50,00,000	
	Less: Calls in arrears (from other than Directors).	Rs. 750	49,99,250
51,446	Equity Shares of Rs. 100/- each fully paid.	Rs. 51,44,600	
	Less: Calls in arrears (from other than Directors).	Rs. 775	51,43,825
			3,60,10,975
75,000	9.5 per cent Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid (Redeemable at par on 1st June, 1976).		75,00,000
			4,35,10,975

PRESENT ISSUE:

50,000	9.8 per cent (subject to tax) Cumulative Redeemable Second Preference Shares of Rs. 100/- each at par.	
1,00,000	8.5 per cent (subject to tax) 'F' Class Redeemable Convertible Debentures of Rs. 100/- each at par.	

TERMS OF PAYMENT:

	Preference Shares	*Debentures*
On application:	Rs. 50/- per share	Rs. 100/- per debenture.
On allotment:	Rs. 50/- per share	Nil.

TERMS OF CONVERTIBILITY:

The debenture holders will be entitled at their respective option which they may exercise on one or more occasions during the period from 1st April, 1976 to 31st March, 1978 to convert 20 per cent of nominal value of the debentures held by them respectively into fully paid up equity shares of the face value of Rs. 100/- each at par (i e, out of every five debentures held by them respectively, one fully paid debenture of Rs. 100/- will be allowed to be converted into one fully paid equity share of Rs. 100/-, ignoring fractional entitlements, if any) in the capital of the Company.

BOARD OF DIRECTORS:

Name and address	*Occupation*
Mr. RAMAKRISHNA PARMESHWAR AIYER, No. 581, 18th Road, Khar, BOMBAY-400 052.	Business Executive (Chairman)
Mr. AMBALAL KILACHAND, 95, Nepean Sea Road, BOMBAY-400 006.	Merchant.
Mr. NAVNITLAL CHUNILAL JAVERI, 215, Marine Drive, BOMBAY-400 020.	Merchant.
Mr. DHUNJISHAW PESTONJI RUTTONJI CASSAD, Shirin Lodge, Byramji Town, NAGPUR-1.	Business.
Mr. HIMATLAL KANTILAL SHAH, Kantilal House, 14, New Queens Road, BOMBAY-400 004.	Merchant.
Mr. JASHWANT PITAMBERDAS THACKER, Asha Mahal, 46-B, Peddar Road, BOMBAY-400 026.	Solicitor.
Mr. SHANTARAM DWARKANATH DESHMUKH, 7, Bank House, 156, Backbay Reclamation, BOMBAY-400 020.	Service
Mr. VISHNU GOPAL BAPAT, 16, Bel-Haven, 23, New Marine Lines, BOMBAY-400 020.	Service
Mr. VRINDAVAN HARGOVINDDAS VORA, 28, Altamount Road, BOMBAY-400 026.	Consulting Actuary.

SECRETARY:

Mr. ARVIND YESHWANT PINGE, "Sowbhagya", Flat No. 2, S. K. Bole Road, BOMBAY-400 028.

Trustees to the Existing and Proposed Debenture Holders:

BANK OF INDIA, 70-80, Mahatma Gandhi Road, BOMBAY-400 001.

AUDITORS:

Messrs BATLIBOI & PUROHIT, Chartered Accountants, National Insurance Building, 204, Dr. D. N. Road, BOMBAY-400 001.

SOLICITORS:

Messrs MULLA & MULLA & CRAIGIE BLUNT & CAROE, 51, Mahatma Gandhi Road, BOMBAY-400 001.

BANKERS OF THE COMPANY:

United Commercial Bank, Canara Bank, Bank of Baroda, State Bank of India, Bank of India, Dena Bank, Bank of Maharashtra, Indian Bank, State Bank of Hyderabad, The Sangli Bank Ltd., Vijaya Bank Ltd., The Maharashtra State Co-operative Bank Ltd., The Greater Bombay Co-operative Bank Ltd., The Bombay Mercantile Co-operative Bank Ltd., The Air Corporations Employees Co-operative Bank Ltd., Indira Sahakari Bank Ltd.

NAMES OF UNDERWRITERS:

Name and Address	Amount Preference Shares (Rs. in lakhs)	Underwritten Debentures (Rs. in lakhs)
Life Insurance Corporation of India, 'Yogakshema', Jeevan Bima Marg, BOMBAY-400 020.	8.00	17.00
Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, BOMBAY-400 001.	7.00	17.00
The Industrial Credit and Investment Corporation of India Limited, 163, Backbay Reclamation, BOMBAY-400 020.	10.00	16.00
United Commercial Bank, UCO Bank Building, D. N. Road, BOMBAY-400 001.	—	15.00
The Bank of Karad Ltd., 24-BD Ambalal Doshi Marg, Fort, BOMBAY-400 001.	5.00	10.00
Bhupendra Champaklal Devidas, Bhupen Chambers, 4th Floor, Dalal Street, Fort, BOMBAY-400 023.	20.00	25.00
	50.00	100.00

MANAGING BROKERS:

Bhupendra Champaklal Devidas, Bhupen Chambers, 4th Floor, Dalal Street, Fort, BOMBAY-400 023.

BROKERS TO THE ISSUE:

BOMBAY

1. Bhupendra Champaklal Devidas, Bhupen Chambers, Fourth Floor Dalal Street, Fort, BOMBAY-400 023.
2. Batlivala & Karani, Union Bank Building, Dalal Street, Fort, BOMBAY-400 023.
3. D. S. Purbhoodas & Co., Stock Exchange Building, Apollo Street, Fort, BOMBAY-400 023.
4. Dhirajlal Maganlal Sons, Stock Exchange Building, Apollo Street, Fort, BOMBAY-400 023.
5. Jamnadas Morarjee & Co., 5-A, Hamam Street, Fort, BOMBAY-400 023.
6. Narandas & Sons, Union Bank Building, Dalal Street, Fort, BOMBAY-400 023.
7. Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Fort, BOMBAY-400 023.
8. Keshavdas Pranjivandas, 148, Stock Exchange New Building, Apollo Street, Fort, BOMBAY-400 023.
9. R. P. Shroff & Sons, 8, Stock Exchange Building, Apollo Street, Fort, BOMBAY-400 001.

NEW DELHI

10. Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, NEW DELHI-110 001.
11. Sikander Lal & Co., 42, Delhi Stock Exchange Building, Asaf Ali Road, NEW DELHI-110 001.

CALCUTTA

12. Place, Siddons & Gough Private Limited, 6, Lyons Range, CALCUTTA-700 001.
13. Stewart & Co., 14, India Exchange Place, CALCUTTA-700 001.
14. Varma & Company, 7, Lyons Range, CALCUTTA-700 001.

MADRAS

15. Paterson & Company, 11/12, Second Line Beach, MADRAS-600 001.

AHMEDABAD

16. Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazar, AHMEDABAD-380 001

HYDERABAD

17. Laxminarayan Rathi, 4-5-173; Hashmatgunj Sultan Bazar, HYDERABAD (A.P.)

BANGALORE

18. Vijai & Company, No. 9, XI, Main, Malleswaram, BANGALORE-3.

INDORE

19. Pushkarlal Chudawala, 44, Bada Sarafa, INDORE-2.

BANKERS TO THE ISSUE

1. United Commercial Bank, UCO Bank Building, D. N. Road, BOMBAY-400 001.
2. Canara Bank, Calcot House, Tamarind Lane, BOMBAY-400 023.
3. Bank of India, 70-80, Mahatma Gandhi Road, BOMBAY-400 001.
4. The Bank of Karad Ltd., 24-BD, Ambalal Doshi Marg, (Hamam Street), BOMBAY-400 023.

Joint Sector and 'Control' of Indian Monopoly

Aurobindo Ghose

The Dutt Committee envisaged the joint sector as "an important means of curbing the increasing of economic power", but the Tatas and FICCI have welcomed the joint sector proposal. This is not surprising if it is recalled that when the 'socialistic pattern' was first announced in 1955, Bombay's stock market witnessed a boom. Since subsequent developments seem to have validated Dalal Street's judgment on the character of the 'socialistic pattern', it is pertinent to ask: Is the joint sector really an instrument of control of Indian monopoly? This paper seeks to answer this question.

In Section I the author examines the meaning and evolution of the joint sector concept. As a background to finding out its real rationals, Section II illustrates the operation of industrial policy in post-1947 India in relation to the declared objective of reducing the concentration of economic power. In the concluding part the author deals with the nature of the recent capitalist crisis and the extent to which the joint sector is designed to meet the new problems of development of Indian monopoly.

THE Dutt Committee[1] envisaged the joint sector as "an important means of curbing the increasing of economic power", but the Tatas[2] and the FICCI[3] have welcomed the joint sector proposal. This is not surprising if it is recalled that when the 'socialistic pattern' was first announced in 1955, Bombay's stock market witnessed a boom.[4] Since subsequent developments seem to have validated Dalal Street's judgment on the character of the 'socialistic pattern', it is pertinent to ask: Is the joint sector really an instrument of control of Indian monopoly? This paper seeks to answer this question.

In Section I we examine the meaning and evolution of the joint sector concept. As a background to finding out its real rationale Section II illustrates the operation of industrial policy in post-1947 India in relation to the declared objective of reducing the concentration of economic power. In the concluding part we deal with the nature of the recent capitalist crisis and the extent to which the joint sector is designed to meet the new problems of development of Indian monopoly.

I
Joint Sector: Meaning and Evolution of Concept

Recent discussion on the joint sector reveals little uniformity and even less agreement on what constitutes the joint sector. Different variants are propagated. Even public sector undertakings such as Madras Refineries, Cochin Refineries and Madras Fertilisers are cited as examples of joint sector enterprises and 'successful' ones at that.[5] It becomes imperative then to start from an identification of the organisational form of the joint sector.

The organisational form of any industrial enterprise is defined with respect to the structure of ownership of its equity. It is then possible to distinguish three broad categories of enterprises in the Indian economy: the pure public enterprise, the pure private enterprise and a middle zone of mixed enterprises. A mixed enterprise[6] is one where there is co-ownership of equity by the government and private elements within a single enterprise. Since the term 'joint sector' connotes some form of joint ownership, the concept would appear to belong to the generic family of mixed enterprises.

Depending on the nature of the mixture, a distinction can be drawn between two kinds of mixed enterprises:

(a) the mixed public enterprise, and

(b) the mixed private enterprise.

The mixed public enterprise is a public sector undertaking characterised by (i) majority equity ownership by the government and its different agencies, (ii) financial supervision and audit control in the hands of the government even when management is with the private collaborator, and (iii) statutory accountability to the government as well as the Parliament.

The mixed public enterprise has emerged in two ways. First, through acquisition of controlling equity by the government in erstwhile private enterprises, as in Indian Oil Corporation, Indo-Burmah Petroleum, Balmer Lawrie, and IISCO.[7] Secondly, through formation of a new company in collaboration with private elements, usually foreign capital in technology-complex industries, as in Madras Refineries, Cochin Refineries, Madras Fertilisers, Lubrizol India and Triveni Structurals. Whichever way it has emerged, the above characteristics are common to all mixed public enterprises.

By contrast, there exists the mixed private enterprise characterised by (i) minority[8] equity participation by the government and its different agencies, (ii) day-to-day management, financial supervision and audit control in the hands of the private promoter, and (iii) its functioning not being statutorily accountable to the government or Parliament.

Examples of such mixed private enterprises are not difficult to find. Subsequent to the formation of the LIC and the emergence of public financial institutions as the principal source of underwriting of new capital issues, there is hardly any public limited company in the Indian private sector which has no government equity participation. In fact in the large-sized and leading companies, government's equity participation is considerable. For example, the government's share is about 53 per cent in Premier Tyres, 44 per cent in CIMMCO, 42 per cent in TISCO — the largest company in the private sector —, 40 per cent in ACC, 32 per cent in Texmaco, 30 per cent in Voltas and Hindustan Motors, 25 per cent in TELCO and 16 per cent in DCM and Century Spinning.

Even considering a large industrial house as a unit of ownership, government equity participation is estimated[9] to be more than half in Martin Burn, about one-third in Tata and ACC, nearly one-fifth to one-fourth in Birla, Sri Ram, Bangur and Killick-Kapadia, etc. Despite such large government equity participation in these companies, management and control are completely with the controlling houses/families.

The distinction between the two types of mixed enterprises then turns around the character of "effective control" of the enterprise. Where effective control is in the hands of the government, it is a mixed public enterprise; where, however, effective control is in the hands of the private promoter, it is a mixed private enterprise.

From this point of view, the joint sector, at least in the form in which it is being implemented by several state governments, can be regarded as a mixed private enterprise.

Such joint sector enterprises have in general the following characteristics:

(i) *Equity Participation*: Certain guidelines laid down by the Central government provide for 26 per cent equity ownership for the state government, 25 per cent for the private promoter and 49 per cent for the investing public, including financial institutions. In cases involving foreign participation, the formula provides for 25 per cent equity for the state government, 20 per cent for the Indian promoter, 20 per cent for the foreign collaborator and 35 per cent for the investing public including financial institutions. Generally, the equity owned by the state government and the public financial institutions put together should be less than 50 per cent of the total equity of the enterprise. Thus even if the government is the single largest shareholder, normally it will be the minority equity participant. This, as we have seen, is no different from the situation in existing mixed private enterprises, e g, TISCO, TELCO, Voltas, CIMMCO, etc.

(ii) *Management and Control*: Representation on the Board of Directors would normally be in proportion to the ownership of equity, with the state government usually having one additional director than the private promoter. The Chairman of the Board of Directors is to be normally the nominee of the state government but, from all accounts, he is a mere figurehead. The Managing Director will be the nominee of the private promoter, subject to government approval. Broad policy-making will be done by the Board of Directors but detailed management and decision-making will be left to the Managing Director. The government promoter's main role will be to "use its good offices" (a) to obtain licences and other necessary government sanctions, (b) to facilitate the availability of government overheads such as transport, communications and electricity, and (c) to negotiate with public financial institutions and foreign collaborators. Financial supervision would be under the private promoter's control. Financial audit would be done by commercial auditors, unlike the normal practice of public audit in purely public or mixed public enterprises. Effective control would thus rest with the private promoter.

(iii) *Public accountability*: The functioning of the enterprise would not be statutorily accountable to the government or the Parliament.

From this brief review it clearly emerges that the organisational form of the joint sector is not much different from that of the mixed private enterprise. It would be incorrect then to identify the joint sector with mixed public enterprises such as Cochin Refineries, Madras Refineries and Madras Fertilisers[10] and further to argue for the joint sector as an instrument of industrial development based on the successful operation of these enterprises.

Despite differences on what constitutes the joint sector, recent discussion on the subject is unanimous regarding the origins of the concept, in the context of Indian industry, in the Dutt Committee Report. This view is at variance with our findings. The concept of the joint sector did not suddenly emerge in 1969; it has evolved over time. It is to an examination of the evolution of this concept that we now turn. We take this opportunity to clarify some vagueness and much confusion that has crept into recent discussion on the *content* of the joint sector.

We confine ourselves here to some basic observations regarding the genesis and evolution of the joint sector.

(a) The concept did not originate in the Dutt Committee Report. It is implicit in the Industrial Policy Resolution of 1956 wherein mixed enterprises were envisaged in each of the three Schedules of industries demarcating the areas of operation of the public and private sectors. But in a concrete form, the concept as well as the term, was first suggested by a study group appointed by the Maharashtra government in September 1960 in connection with preparation of Maharashtra's Draft Third Plan. The study group submitted its report[11] in May 1961. The report was accepted[12] and six joint sector projects[13] were implemented in the Maharashtra state's Third Plan involving a total investment of about Rs 10 crores in the state public sector and the joint sector put together. What is interesting and revealing is that the study group was headed by the then President of the FICCI, R G Saraiya, and included Naval Tata[14] as one of its members. The joint sector is being advocated today as an instrument of control of monopoly. But it is precisely the representatives of Indian monopoly capital

TABLE 1: GROWTH OF INDIAN MONOPOLY HOUSES, 1964-1971

(Rs crores)

	Name of the House	Paid-up Capital		Assets		Turnover	
		1963-64	1970-71	1963-64	1970-71	1963-64	1970-71
1	Tata	102	144	418	711	325	679
2	Birla	76	141	293	687	290	718
3	Martin Burn	22	41	150	173	109	115
4	Soorajmull Nagarmull	19	—	81	—	75	—
5	Bangur	20	33	78	150	65	137
6	ACC	24	35	77	128	44	88
7	Thapar	14	24	72	137	71	127
8	Sahu Jain	20	19	68	96	61	101
9	Bird Heilgers	15	19	60	85	58	100
10	J K Singhania	14	19	59	113	54	115
11	Walchand	14	21	55	106	54	99
12	Sri Ram	10	17	55	137	60	153
13	Scindia	12	12	47	90	21	44
14	Goenka	13	18	47	79	44	85
15	Mafatlal	10	34	46	172	43	165
16	Sarabhai	6	15	43	97	54	127
17	Andrew Yule	11	14	42	58	34	46
18	Killicks	15	20	41	85	24	55
19	ICI	9	36	37	119	38	105
20	Kilachand	9	11	35	44	24	36

Sources: For 1963-64: Report of Monopolies Inquiry Commission, Government of India, 1965.

For 1970-71: Reply to Lok Sabha Unstarred Question No 7294 due for answer on April 17, 1973.

Note: For Soorajmull Nagarmull, data is missing for 1963-64; data includes BIC for 1970-71.

who first suggested the concept in a concrete form.

The Saraiya Committee Report may not be much known to academic economists. But it seems to have been the precursor of ideas on the joint sector preached by the Tata Memorandum on Industrial Growth and as practised by several state governments. There are three essential aspects where the Saraiya Committee's influence can be detected: (i) the necessity of government partnership and promotion in industries and (backward) areas where private capital is not likely to venture on its own, (ii) the equity ownership formula of 26 per cent for the state government, 25 per cent for the private promoter and 49 per cent for the investing public, and (iii) the stipulation that management of the enterprise should essentially remain with the private promoter.

(b) It is equally interesting to find that simultaneously with Saraiya and Naval Tata's advocacy of the joint sector, John P Lewis — an important influence on United States foreign economic policy — was thinking on similar lines, even when he was not using the same terminology. In his "Quiet Crisis in India: Economic Development and American Policy", first published in 1962, John P Lewis observes:

> "The private-sector vs public-sector issue as such has been greatly overplayed. The recent drift of Indian government policy has been markedly toward a rapprochement with major private enterprise, and the private sector's effective opportunity for expansion is secure, at least for the time being. The question of the private sector's long-term share of productive activity is due to become increasingly blurred as private and public enterprises overlap one another in the form of mixed enterprises ... They constitute a broadening middle zone between 'purely private' and 'purely public' enterprise, from which anyone concerned with the practical affairs of the Indian economy can ill afford to stand aloof."[15]

(c) Recent discussion on the joint sector has centred around the Dutt Committee's concept. However, the Committee's approach[16] has not always been correctly represented.

The Dutt Committee observed (i) that the growth of the public sector in India has not occurred to the extent envisaged, especially in industries included in Schedule B of the 1956 Industrial Policy Resolution, due mainly to a lack of funds, and (ii) that, at the same time, the growth of the private sector, especially the monopoly sector, has been predominantly financed by public-sector financial institutions. On the basis of these observations, the Committee recommended the mixed public enterprise as the most suitable form of development of Indian industry without increasing private concentration. Such mixed public enterprises would be regarded as belonging to the public sector.

For the time being, however, the Committee felt that the joint sector should be resorted to. The joint sector would include units in which both public and private investment has taken place and where the State takes an active part in direction and control. How the State would play this active part was left unspecified, except for the possibility of conversion of public loans into equity and the necessity of creation of a cadre of trained full-time Public Directors.

(d) The manner of argumentation in the Dutt Committee brings out sharply the two contending tendencies in government policy: one arguing for a greater and more explicit role of the public sector, and the other arguing for the enlargement of the role of the private sector but of course with public

TABLE 2: SOURCES OF FINANCE FOR NEW PROJECTS OF NEW COMPANIES IN INDIAN PRIVATE SECTOR, 1955-59, 1960-63 AND 1966-71

(Percentages)

Source of Finance	1955-59				1960-63				1966-71		
	Equity	Preference	Long-Term Loans	Total	Equity	Preference	Long-Term Loans	Total	Share Capital	Loans	Total
(1) *Internal accumulation*	39.8	10.3	1.8	27.5	33.6	4.6	0.3	20.0	10.7	0.7	4.3
(2) *General public**	43.6	85.7	1.7	40.4	41.4	62.7	0.4	28.3	34.0	2.6	13.3
(3) *Govt financial institutions*											
(a) Loans and direct subscription	—	3.5	34.1	7.3	6.7	28.6	50.3	23.5	2.2	25.9	17.3
(b) Shares devolved** through underwriting (estimate)	NA	NA	NA	NA	NA	NA	NA	NA	32.7	—	11.8
(4) *Banks*	—	—	—	—	—	—	—	—	—	9.4	5.9
(5) *Foreign Sources*	16.6	0.5	62.5	24.2	18.3	4.1	49.0	28.2	20.2	49.1	38.5
(a) Collaborators	16.6	0.5	—	24.0	17.9	4.1	—	10.7	12.2	0.7	4.8
(b) Deferred credits	—	—	61.7		—	—	9.9	3.5	—	4.7	3.0
(c) Financial institutions and agencies	—	—	0.8	0.2	0.4	—	39.1	14.0	7.9	43.7	30.7
(6) Details not available									—	10.4	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: (a) For 1955-59 and 1960-63: L C Gupta, "Changing Structure of Industrial Finance in India," Oxford, 1969, pp 103-106.
(b) For 1966-71: Author's computations based on data given in various issues of *Company News and Notes.*

* Upto 1960-63 the data relate to capital offered for subscription to general public which is to be distinguished from the portion actually subscribed to by the public. Capital offered includes the amount ultimately subscribed by underwriting institutions. For 1966-71 the data relate to capital subscribed by the public and by non-Government underwriters.

** The amount subscribed by government financial institutions through underwriting devolvement is not available for the periods 1955-59 and 1960-63 and has been estimated for the period 1966-71 by distributing 80 per cent of capital subscribed by all underwriters to government financial institutions and the remaining 20 per cent being included under 'general public'.

funds and some semblance of public control.

One such proponent of the latter approach is H K Paranjape. Despite having been a member of the Dutt Committee, Paranjape now makes it out[17] as if the Dutt Committee recommended the joint sector as the optimum instrument of development of Indian industry. But the truth, as we have seen, is that the Dutt Committee recommended the joint sector *only* as an intermediate measure, a second-best alternative to the mixed public sector which was in fact advocated as the first-best instrument.

It is true that Paranjape is (i) for the extension of the joint sector concept to existing companies in the large industrial sector through *retrospective* conversion of public loans into equity, *and also (ii)* for professionalisation of their managements through break-up of dysfunctional inter-connections with family groups or controlling houses. But the net effect of all this is: the joint sector is the operational alternative both to the nationalisation of monopoly houses and to the explicit expansion of the public sector. The terminology is indicative: the joint sector should be treated as a "national enterprise". This is the new idiom of the Indian mixed economy. At one stage Paranjape pleads: "There is no reason for public policy to be against the large professionally managed company". But it all depends on what is the object of public policy. To counterpose: Is there any reason why public policy should be against increase in the concentration of private economic power?

Paranjape seems to take up cudgels with the Tata Memorandum regarding its "public funds-private management" approach to the joint sector but himself leaves undefined the nature of management, beyond a point. According to Paranjape: "The management would be largely professional, the State through its financial institutions exercising control to make sure that a good management is appointed and supervising the results achieved." What is good about professional management in an economy hitherto dominated by a few monopoly houses? Or has the Berle-Means 'managerial revolution' arrived? What is the meaning of State supervision? Public audit and Parliamentary accountability are some such forms but Paranjape is for 'autonomy' of joint sector enterprises and against making them 'government companies' in the legal sense of the term.[18] The crux of management in any single enterprise is its monolithic nature: dual management renders an enterprise ineffective.[19] Nowhere does Paranjape specify the mechanism of resolving public-private conflict in decision-making within a joint sector enterprise.

TABLE 3: ROLE OF INSTITUTIONAL UNDERWRITING IN CAPITAL ISSUES IN INDIAN PRIVATE SECTOR

(Rs crores)

	1961-62 to 1965-66		1967-68 to 1971-72	
	Shares	Debentures	Shares	Debentures
1 Total capital issues	180	71	146	78
2 Total amount underwritten	87	58	105	76
3 Percentage of (2) to (1)	48.4	81.5	71.9	97.4
4 Amount underwritten by public financial institutions	43	41	67	55
5 Percentage of (4) to (2)	49.4	70.7	63.8	72.3
6 Percentage of (4) to (1)	23.9	57.7	45.9	70.5
7 Amount subscribed by all underwriters	NA	NA	42	65
8 Percentage of (7) to (2)	NA	NA	40.0	85.5
9 Percentage of (7) to (1)	NA	NA	28.7	83.3

Source: Company News and Notes, various issues.

The real content of Paranjape's arguments comes out sharply when the similarities between him and the Tata Memorandum are identified[20] regarding (i) the scope of the joint sector, (ii) public sector functioning and bureaucratic inefficiencies, and (iii) the possibility of the joint sector replacing the existing public sector.

(i) *Scope of the Joint Sector:*

Tata: The very fact that in any specific case, government favour a joint sector solution must surely indicate that they believe that management by the private sector partner will be better than public sector management.

Paranjape: To set up new public enterprises to take up growth in areas where existing private enterprises can provide an excellent growth nucleus cannot but be wasteful.

(ii) *Alternative to Bureaucratic Inefficiencies:*

Tata: Joint sector enterprises should not be burdened with the cumbersome and time-consuming procedures enforced in public sector enterprises.

Paranjape: The development of the Joint Sector as an important form of business organisation should also help us to get over the major inadequacies of the public sector. The public sector enterprises have many a times been observed to be "public" but not "enterprises". Many of them suffer from the maladies of bureaucratic approaches and procedures.

(iii) *Replacement of Public Sector by Joint Sector:*

Tata: We see no reason why government, with a view to releasing funds for other priority projects, should not think of taking opportunities of divesting themselves of a monetary share of public sector enterprises, which would then become one form of joint sector enterprise.

Paranjape: We may even think of gradually converting existing public sector enterprises into joint sector units. This may be done by selling a part of the equity of these units to private individuals.

(e) The joint sector is no longer just a concept. Starting from Maharashtra during its Third Plan, state governments have been vigorously implementing a large number of joint sector enterprises. A few such enterprises promoted by the Central government are also under implementation. Certain features of the working of the joint sector need to be highlighted.

(i) Most of the projects relate to medium-sized investments of Rs 1 crore to Rs 10 crores in short gestation consumer goods industries such as cotton textiles, battery cells, beer, cigarettes, scooters, etc. Those which are exceptionally large investments relate to long-gestation projects in basic industries listed in Schedule B of the 1956 Industrial Policy Resolution, e g, TISCO's Rs 800 crores proposed steel expansion project and Gujarat State Fertilisers' Rs 50 crores fertilisers project.

(ii) In almost all cases the main private collaborators are those belonging to already well-established industrial houses. However, there is an observed difference regarding the geographical areas of operation of the various industrial houses, depending on whether the joint promoter is a state government or the Central government. In enter-

prises promoted by state governments, it is not the largest industrial houses in India which necessarily dominate but rather houses or companies with regional importance, e g, the predominance of South India-based houses such as API, Muthiah, Murugappa Chettiar, Thiagarajah and Shri Ambica in joint sector enterprises promoted by Tamil Nadu, Andhra and Karnataka governments and the corresponding importance of North-ern India-based houses such as Sri Ram, Raunaq Singh, Oberoi, Anand and Oswal in projects promoted by Punjab, Haryana and Rajasthan governments. The top-most houses like Tata, Birla and Bangur with all-India dispersal in the location of their industries, have been associated in proposed projects to be jointly promoted by the Central government.[21]

(iii) In practice, joint sector enterprises are indistinguishable from other private sector enterprises. For instance, it turns out that Bharat Forge (Kirloskar) and Mahindra Ugine Steel (Mahindra) are joint sector enterprises. In certain cases established joint sector enterprises are taken over fully by the erstwhile private promoters, e g, Kerala Spinning was jointly promoted by the Birlas and Kerala State Industrial Development Corporation (KSIDC) but subsequently the Birlas took over the equity of KSIDC. This case of conversion of the joint sector into the full-fledged private sector is extremely portentious of future trends.

(iv) Some interesting and revealing features of the working of joint sector projects promoted by the Punjab State Industrial Development Corporation have come to light in a recent report.[22] The conclusion drawn in this report is that the concept has been distorted such that it is the already well-established elements within the private sector which are promoted in various ways and derive the main benefit.

From this review of the evolution of the joint sector in India, the conclusion emerges that essentially it is no different from the mixed private enterprise which has proliferated in the Indian private sector since the emergence of public financial institutions as the principal source of finance and underwriting. What is perhaps new about it is that is represents a shift in emphasis away from the public sector as an instrument of economic and social policy. At the same time the joint sector has been proclaimed by the government as an instrument of "reducing the concentration of economic power".

The question thus arises: what is this policy instrument which within the framework of a mixed economy seeks to control monopoly in principle and replace the public sector in practice? To understand this paradox it is necessary to have some idea of the experience of industrial policy in post-1947 India *vis-a-vis* the stated objective of control of monopoly. This we shall attempt to do in the next section.

II

Control of Monopoly in India: Precept and Practice

The nature of industrial policy in post-1947 India *vis-a-vis* the control of monopoly is only illustrated here, rather than discussed exhaustively.

Industrial Policy Resolution of 1956

The basis of industrial policy in India is the Industrial Policy Resolution (IPR) of 1956 and practically all changes or innovations in industrial policy can be traced to it. The IPR had two major stated objectives: namely to achieve a rapid self-sustaining rate of growth of the economy and the reduction of social inequalities. From these policy objectives there seemed to follow certain specific policy prescriptions. For achieving a rapid rate of growth of the economy it was necessary to develop basic and machine-making industries. It was also decided to assign the major role to the public sector and about the nature of private ownership itself, to prevent the growth of monopolies and concentration of economic power. In addition, the respective roles of the public and the private sectors in different industries were defined by classifying industries into three categories.

Strategic or growth-inducing industries were to be the prime responsibility of the public sector. There was, however, the flexibility clause for possible private entry into such industries at any future date. The private sector's main area of operation would be consumer's goods and machinery for consumer's goods industries. Private sector investment in all categories of industries, and especially in the third category, would be facilitated by the State through the provision of transport and power and especially of institutional finance. State participation in private sector's equity capital was stipulated in case of private entry in industries in Schedules A and B and was not ruled out for industries in the third category.

It is possible to look for a consistent logic behind these policy prescriptions based on the credibility of the government's intentions. It would then seem that rapid growth in an underdeveloped economy characterised by stagnant export earnings gives rise to the *technical* necessity of developing a domestic capital goods sector at the outset. Such is the logic of the physical aspect of savings. However, this emphasis has to include within its scope a balanced development of agriculture and industry and balances between different sectors within industry, in keeping with the technological co-efficients of production, and also balances with respect to time lags and foreign exchange.

Such technical possibilities cannot, however, be attained under any *institutional* conditions. The need for emphasis on a genuine public sector and the corresponding control of monopoly arises especially because (a) the private sector is not likely to initiate the development of basic and mother-machinery industries and economic overheads, especially infrastructure, crucial for rapid economic growth, (b) public ownership of such strategic industries is crucial particularly when the private sector is essentially monopolistic and hence in a position to restrict current output as well future capacities with disastrous effects on the attainment of physical balances, and (c) the distribution of the means of production within the private sector and as between the public and private sectors determines the distribution of national income as between wages and profits and this in turn determines the rate of savings and the volume and composition of consumption in the economy. The classification of the respective areas of operation of the private and public sectors broadly follows the above logic: the higher the strategic or growth-inducing importance of any industry the more likely is its inclusion in Schedules A or B.

Such would be one *a priori* interpretation of the internal consistency of the IPR. Its validity of course would depend on the manner of implementation of the totality of the programme rather than fulfilment of its parts. A verification of this ultimately revolves

on the actual results and the extent to which the resulting industrial struture conforms to that envisaged. It would also reflect in terms of the flexibility or rigidity of the approach and the nature of the policy instruments. Already a certain flexibility in favour of the private sector is discernible in the IPR. While it envisages a predominant role for the State sector in order to prevent monopolies and concentration, simultaneouly it allows the private sector to develop and expand "as an agency for planned national development". Similarly, the IPR recognises the necessity to control and regulate the private sector, but it also considers it "desirable to allow such undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan". Further: "The division of industries into separate categories does not imply that they are being placed in water-tight compartments".

The alternative interpretation stemming from such observations would be that the IPR is quite *consistent* regarding the growth and development of monopoly capital. The development of mother-machinery and basic industries and infrastructure, especially power and communications, in the public sector is quite consistent with the initial requirements of growth of the private sector, particularly monopoly. They would be developed under State ownership only to the extent required. When monopoly is capable enough to enter such high-risk industries on its own then public sector development is no longer required so explicitly. That is where the joint sector is presumed to emerge. Similarly, the different policy instruments were so designed as to aid the development of monopoly.

We will first consider briefly the character of the actual industrial structure that has emerged and then examine the nature and operation of industrial licensing and institutional financing as illustrative of instruments of policy.

Let us note in brief the characteristics of the industrial structure that has emerged during the past 15 years.

Physical Aspect: There has been under-fulfilment of both capacity and production targets for the Plans, especially the Third and Fourth Plans, in the case of crucial basic and mother-machinery industries, underfulfilment in the production targets of essential goods, and over-fulfilment of capacity targets for luxury industries and industries producing machinery for consumers goods. The envisaged emphasis on basic and mother-machinery industries has not taken place, particularly in the Third Plan, but the plans for infrastructure and communications have been fulfilled. The emerging industrial structure is being increasingly geared to the production of luxury goods. In addition, the structure is physically disbalanced and distorted with a lack of correspondence as between complementary capacities.

Institutional Aspect: The relative area of operation of the public sector is declining since the beginning of the Fourth Plan. On the other hand, the dominance of the large industrial houses is on the increase (see Table 1). The breakdown of the demarcation of the respective roles of the public and private sectors as envisaged by the IPR[23] is indicative of the distortions emerging in the institutional structure. Of the 17 industries listed in Schedule A of the IPR, at least 11 were opened to private interests, for example arms, heavy-electrical plant, heavy plant and machinery, heavy castings and forgings, mineral oils, electricity generation, ship-building, etc. Of the 12 industries listed in Schedule B, in at least 9, the private sector (and especially the monopoly houses) have played the dominant role contrary to what the IPR envisaged as in aluminium, machine tools, basic chemicals, drugs, synthetic chemicals, etc.

Let us now illustrate the role of policy instruments in the implementation of the IPR with reference to industrial licensing and institutional financing.

Industrial Licensing

An industrial licence is the government's permission to an intending investor in fixed capital above a certain size to set up a new unit or to expand or diversify an existing unit. Industrial licensing has been operating since the Industrial (Development and Regulation) Act of 1951 but it became important in 1956, on the eve of industrialisation, when the IPR was enunciated and the Second Plan launched.

Ideally, industrial licensing should be able to:

(a) determine the volume and pattern of private investment, so as to fulfil that component of Plan targets meant for the private sector;

(b) prevent the growth of monopoly by controlling the investments allocated to monopoly; and

(c) maintain the respective roles of the private and public sectors as defined in the IPR by preventing the entry of the private sector in Schedule A industries and by controlling its entry in Schedule B industries, assigning to it a relatively lesser role than the public sector.

This would be the theoretical rationale of industrial licensing. In practice, however, it has had the following characteristics.

(a) An industrial licence is in the nature of an investment intention only. There is no commitment on the part of the licencee to implement the project or to complete it by an appropriate date. Effective steps (as defined) regarding licence implementation are meant to be taken within time-limits, but in practice liberal extensions have been granted. Unimplemented licences can be revoked but there is no other penalty.

(b) The precise relationship between Plan targets and priorities and licensing as an instrument to implement them was never worked out. Instead of government inviting applications for licensing required capacities, applications were considered as and when they were received. The time-phasing of investment and the corresponding time-phasing of licensing does not appear to have been taken care of.

(c) Applications of licences were considered on a 'first come, first served' basis, i e, licensing was sequential.

(d) The availability of foreign collaboration and finance seems to have been implicitly accepted as a criterion for preferring an application.

Now let us see what these characteristics implied for the working of the industrial licensing system.

(i) Industrial licensing as it worked out could only allocate rather than determine private investment in terms of its volume, composition and timing. Other complementary instruments are required to determine private savings and its transformation into precise types of investment maturing with appropriate time-lags. Industrial licensing by itself has been inadequate for fulfilling the physical balances essential for the Plans to succeed.

(ii) In the absence of clear-cut criteria for using industrial licensing to imple-

ment the Plans, the commodities and the capacities licensed have had little correspondence with Plan targets. Both over-licensing and under-licensing in particular industries has been practised. Over-licensing failed to prevent underfulfilment of Plan targets: on the contrary it may have generated fear of excess competition and deterred implementation of many licences.[24] Licensing could not ensure the creation of targeted capacities in priority industries such as cement and fertilisers, at the same time as it failed to prevent the overfulfilment of Plan targets in less essential industries such as synthetic textiles and vanaspati (sometimes even through unauthorised capacity creation in excess of licensed capacity).

(iii) Sequential licensing and preference for applications with foreign collaboration and finance meant that there was a built-in-bias in the licensing system for large industrial houses. Through multiple and early applications in different lines simultaneously and through vigorous pursuit of these licences up to the stage of approval, large industrial houses were able to corner a disproportionate portion of the licensable capacity only a small fraction of which was implemented. This is the phenomenon popularly described as preemption by monopoly.

According to the Dutt Committee Report, whereas the top 20 industrial houses (consisting of 1,125 companies) accounted for 31 per cent of the paid-up capital in the private sector in 1958, they obtained 41 per cent of the value of investment licensed between 1956 and 1966. The corresponding shares for the 24,560 unaffiliated small and medium companies were 45 per cent and 36 per cent respectively. On the basis of data given in the Dutt Committee Report it has been estimated by the author elsewhere that about half of the capital goods import content of licensed investment was actually applied for by the top 20 large industrial houses at the stage of CG licensing. The conclusion that can be drawn is that monopoly succeeded in licensing *double* the volume of investment it was capable of or intended implementing.

From the viewpoint of Indian monopoly, such significant pre-emption meant that (a) its potential competition was significantly reduced and (b) its capability to adjust and reverse its investment decisions (necessitated by different kinds of uncertainties inherent in the investment process) was correspondingly strengthened. It is also true that such pre-emption flowed from the properties of the licensing system itself, like absence of follow-up measures, easy extension of time-limits and absence of penalty in case of non-implementation. Licensing regulated entry into industry to the advantage of Indian monopoly.

Thus it is clear that the licensing system far from controlling the volume and pattern of monopoly's investment, was in fact instrumental in contributing to monopoly power.[25] It is possible to argue that from the beginning that was the purpose of licensing and changes and modifications in licensing rules can be directly traced to the changed requirements of Indian monopoly.

For example, licensing from the beginning reduced primary and secondary uncertainty for monopoly's investment, but not necessarily that of the rest of the private sector. Since licensing is normally done according to demand projections and inter-industry balances, investment can proceed on the basis of assured demand. Excessive investment by monopoly is curtailed, if not eliminated. But monopoly's advantage is precisely that these effects or results are not symmetric as between monopoly and small business. The capacities licensed for small business are normally ancillary to those licensed for monopoly such that small business suffers from the uncertainties of implementation of monopoly's investments, given a situation of significant preemption.

A large number of industries were delicensed during the recessionary years of 1966-1968. The ostensible purpose behind this policy change was that in the context of a lower inducement to invest on the part of the private sector, delicensing would remove one constraint to investment and reduce the gestation lag of investment. It is clear, however, that this effect would operate in the case of the large industrial houses but not in the case of small business. It is the inducement to invest of small business in particular which is practically eliminated by a recession, whereas the inducement to invest of monopoly is only reduced but not removed. Thus if any investment is actually undertaken during a recession it is likely to be mainly that of monopoly. Thus monopoly's share of fixed capital in the private sector is *encouraged* to increase during a recession through delicensing.

With the ostensible purpose of "facilitating fuller utilisation of installed capacity" government permitted industrial undertakings in January 1972 to expand production upto 100 per cent of the licensed capacity (including the 25 per cent allowed earlier in December 1967). These relaxations were subject to the conditions: (a) no additional capacity was installed except minor balancing equipment, (b) no additional expenditure of foreign exchange was involved, and (c) there was no additional pressure on scarce indigenous raw materials. This amounted to rationalisation of unauthorised capacity in excess of licensed capacity created by a number of large industrial houses, the facts of which had been highlighted by the Dutt Committee Report.

Whereas the Dutt Committee recommended that larger industrial houses be restricted to what it termed the 'core sector', the government's February 1970 policy statement defined a wider area of operation for these houses. They could enter not only 9 core industries but also the 'heavy investment' sector. Whereas the 'core sector' broadly related the basic and mother-machinery industries, the 'heavy investment' sector related not to types of industries but to the size of investment, i e, those worth Rs 5 crores and above. The entry of the larger industrial houses into luxury industries was permitted in this way.

By its redefinition of the larger industrial houses and by its re-demarcation of the sectors of industries open to these houses, the government's industrial policy statement of February 1973[26] made the expansion of these houses easier and covered a wider area relative to the previous February 1970 policy.

Consider finally the change introduced in November 1973 whereby all the approvals for licensing and associated aspects like foreign collaboration, foreign exchange requirements, capital issue consent and CG licence can all be applied for simultaneously and also cleared simultaneously. This would considerably reduce the bureaucratic lags in investment and thereby increase the scope of monopoly's intentional delays even more. This change, it is interesting to note, has been brought about as a result of the demand made by FICCI more than a year prior to the change.[27]

The conclusion emerges that licensing far from being an instrument of control, has been in fact an instrument for the promotion of monopoly.

Institutional Finance

The IPR of 1956 had provided for public financial assistance for purposes of private investment, it seems, as a means to supplement internal accumulation within the private sector. What has actually happened is different. First, apart from foreign sources, public financial assistance has emerged over time as the major source of investment finance for the private sector. Secondly, the most significant part of this public financial assistance has gone to the monopoly sector comprising the various large industrial houses. From an analytical viewpoint, it can be argued that institutional finance has substantially reduced the constraining influence on investment operating from the side of external finance as enunciated by Kalecki's "principle of increasing risk".[28]

We restrict ourselves here to certain significant facts and features.

Table 2 shows the sources of long-term finance for new companies approaching the capital market through prospectuses, over the time-periods 1955-59, 1960-63 and 1966-71. It is clear that next to foreign sources, particularly foreign financial institutions, government sources are significant, especially as a source for share capital. If, in the period 1966-71, banks are included as part of the public sector, then it is observed that the public sector's share in total investment finance increased from around 8 per cent in 1955-59 to about 24 per cent in 1960-63 and then to 35 per cent during 1966-71.

From Table 2 the impression is created that the public sector's share in long-term loans has remained constant, if not reduced, between 1960-63 and 1966-71. The picture is clarified by Table 3. This Table compares the role of underwriting by public financial institutions, in capital raised by new as well as old private sector companies between the Third Plan period (1960-61 to 1965-66) and the next five-year period (1966-67 to 1971-72). The conclusion emerges that public financial assistance is increasingly taking the form of assistance devolving through underwriting rather than in the form of direct long-term loans. It is recognised[29] that assistance devolving through underwriting is a cheaper form of finance than normal loans.

That the major part of public financial assistance went to the monopoly sector is brought out clearly by the Dutt Committee Report.[30] Of the total public financial assistance disbursed in various forms between 1956 and 1966, 42 per cent went to the 73 large industrial houses and 20 per cent to the 20 largest houses. The share of the monopoly sector in specific forms of public financial assistance was even more significant. In assistance devolving through underwriting of shares and debentures, 53 per cent went to the 73 large houses and 36 per cent to the 20 largest houses. In foreign currency loans — which are crucial for fixed capital investment given the fact that the average import intensity of fixed capital investment in Indian industry is around two-thirds — the respective shares of the 73 large houses and the 20 largest houses were 53 per cent and 28 per cent.

The Dutt Committee's data relate to the period upto 1966. The trend has not changed thereafter, as is indicated by a combined picture[31] of the long-term loans disbursed by four public financial institutions (IDBI, IFCI, ICICI and LIC) from their inception upto 31st March, 1972. It is seen that the 73 large houses received 42 per cent of the total loans disbursed by these institutions. The 7 top receiving houses (Mafatlal, Birla, Tata, Bangur, ACC, ICI and Parry) obtained 18 per cent.

Here it is relevant to mention the practice of pre-emption of institutional finance by certain large industrial houses, as revealed during the recent public hearings of the Sarkar Commission.[32] Such pre-emption takes the form of reservation of institutional finance (at the time of its sanction irrespective of its disbursement) by a large industrial house without any commitment to actually making the investment for which the finance has been sanctioned. The effect of such pre-emption — analogous to the effect of pre-emption of industrial licences — has been to reduce the availability of institutional finance for other licencees and also to increase the capability of the individual monopolist to adjust and move, when required, from one investment plan to another. In sum, both forms of pre-emption have contributed to the growth of the power of the large industrial houses.

The conclusion emerges that the operation of public financial institutions has contributed to the growth of Indian monopoly. It may be argued, however, that earlier public financial institutions were never meant to control monopoly. But ever since government's industrial policy statement of February 1970 wherein the principle of conversion of public loans into equity was enunciated — so the argument goes — the large-scale private sector has been wary of growing on the basis of predominent institutional financing. The contention is that "fearing nationalisation through the backdoor" the private sector has been expeditious in the repayment of public loans. The *RBI Bulletin's* study[33] on the finances of joint stock companies is cited as evidence. There we find that between 1965-66 and 1970-71 the debt of these companies to the public financial institutions as a proportion of their total assets has been falling and sharply falling between 1969-70 and 1970-71.

The observation is correct but the interpretation is not. Ever since the recessionary years of 1965-66 to 1967-68, there has been a slow-down of actual fixed capital investment in the Indian private sector. Thus *new* loans from the public financial institutions were considerably reduced both in number as well as total quantum. Thus net debt — which is the resultant of repayment of old loans and the obtaining of new loans — to the public financial institutions was declining, in relative terms if not absolutely.

It is not fear of conversion of public loans into equity which was operative. Rather new investment was not occurring much. New investment slowed down because of the slow down in investment decisions during the recessionary period, allowing for the observed lag between investment decisions and actual investment in Indian industry. There was a recovery in the volume of investment decisions since 1969-70 — as indicated by the volume of licence applications, foreign collaboration approvals, capital issue consents, CG licences and sanctions of public financial institutions. Because of the gestation lag, actual investment was yet to pick up. This process has started from about 1970-71 as indicated by disbursements of public financial institutions, the raising of capital and imports of machinery.[34] Despite the continuance of the *principle* of conversion of public loans into equity, an increasing proportion of private investment in Indian industry is being financed by the public financial institutions, as we have seen earlier.

The operation of industrial policy *vis-a-vis* the stated objective of control of monopoly can also be illustrated with respect to other policy instruments such as foreign exchange control, price fixation and tax policy. The abolition of the managing agency system,[35] the nationalisation of banks and the establishment of the Monopolies Commission can also be considered. The conclusion will not be altered thereby: that industrial policy in post-1947 India has differed as between its precept and its practice. Industrial policy even when it was stated to be an instrument of control of monopoly, has not succeeded in doing so and sometimes, in fact, it

has been an instrument for the development of monopoly.

The question that now arises is: what is the rationale of the joint sector as a new instrument of industrial policy? Even if the experience of industrial policy in India make us suspect that it is an instrument for the growth and consolidation of Indian monopoly capital, the question still remains: what is the need for a new policy? We shall seek to answer these questions in Section III in relation to the problems of development of Indian monopoly subsequent to the recent recessionary period, the period of capitalist crisis.

III

Timing and Rationality of the Joint Sector

It has been observed that the joint sector was first suggested in a concrete form in 1961 by the Saraiya Committee Report in order to facilitate private investment in Maharashtra State, particularly investment by industrial houses such as Kirloskar, Mahindra and Khandelwal. The concept was thereafter revived in 1969 by the Dutt Committee Report and accepted by the government in its industrial policy statement of February 1970. The Tatas and the FICCI in their 1972 memoranda to the government accepted the proposal in principle and specified their approach to the joint sector. The question arises: what explains the timing of the revival of the joint sector concept? Is it possible to relate this revival to happenings within the private sector, especially the monopoly sector, in the immediately preceding period?

It is possible to identify the 4-year period, 1964-65 to 1967-1968, as a period of crisis for the Indian private sector including the monopoly sector, with recovery starting from the latter part of 1968-69. Without trying to look into the *causes* of this crisis, it is possible to have some indication of the *nature* of the crisis. We restrict ourselves here to the following indicators.

(i) The share of profits in national income declined (see Table 4) between 1963-64 and 1967-68 for the private sector as a whole (RBI's sample) as well as for leading industrial houses such as Tata, Birla and Mafatlal[36]

(ii) The profit margin as well as the profit rate declined (see Tables 5 and 6)° between 1963-64 and 1968-69 for the private corporate sector as a whole and between 1963-64 and 1967-78 for monopoly houses like Tata, Birla and Mafatlal.

(iii) The rate of growth of sales declined between 1963-64 and 1968-69 and capacity utilisation also declined substantially in a large number of industries.

TABLE 4: SHARE OF PROFITS IN NATIONAL INCOME (GROSS PROFIT BEFORE TAX AS PERCENTAGE OF NATIONAL INCOME)

Category	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
(1) RBI Sample*	4.74	4.30	4.25	3.69	2.89	2.95	3.28
(2) Tata	0.28	0.25	0.26	0.20	0.16	0.18	0.19
(3) Birla	0.25	0.22	0.26	0.23	0.18	0.21	0.24
(4) Mafatlal	0.035	0.028	0.033	0.027	0.016	0.042	0.058

* The RBI series is neither uniform nor continuous. It pertains to two different samples of companies, one pertaining to the period 1960-61 to 1965-66 and the other to 1965-66 upto 1970-71.

TABLE 5: GROSS PROFIT MARGIN (I E, GROSS PROFIT AS PER CENT OF SALES)

Category	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
(1) RBI Sample*	10.2	9.9	9.7	9.5	8.3	7.9	8.6
(2) Tata	13.4	12.6	11.6	9.6	7.9	8.3	8.7
(3) Birla	14.9	13.6	14.2	11.8	10.6	11.6	11.9
(4) Mafatlal	12.1	10.4	14.1	5.7	2.9	10.1	18.8

° The definitions of gross profit margin are somewhat different as between the RBI sample and our sample relating to Tata, Birla and Mafatlal.

TABLE 6: GROSS PROFIT RATE (I E, GROSS PROFIT AS PER CENT. OF NET WORTH)

Category	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
(1) RBI Sample*	9.5	9.3	8.8	9.0	7.1	6.8	9.3
(2) Tata	11.2	10.8	11.3	10.0	8.9	9.2	9.4
(3) Birla	15.6	14.3	14.9	14.4	12.2	12.4	12.4
(4) Mafatlal	10.9	9.6	10.7	14.4	8.2	17.9	20.2

° Definitions of gross profit rate differ as between the RBI sample and our sample for Tata, Birla and Mafatlal.

(iv) The indivisibility of investment — both technically and financially — has been rising rapidly.[37]

(v) The volume of new investment intentions started declining from 1963-64 and this trend continued upto 1969-70 when there was a recovery. This is indicated by data on new licences issued, foreign collaboration approvals, and capital issue consents.

(vi) The rate of growth of actual fixed capital investment was high during 1966-67 but thereafter there was a decline which continued upto 1970-71.[38]

The discrepancy between trends in investment decisions and actual investment in Indian industry is explained by the considerable time lag between initial investment intentions and actual investment. The size of this time lag — 4 to 5 years on the average — is explained not only by *frictional* delays arising from technological and bureaucratic factors but mainly by *intentional* delays arising from monopoly's significant capacity to pre-empt industrial licences, foreign collaboration approvals, institutional finance, etc. Thus it is seen that whereas current corporate performance — relating to profitability, share of profits in national income, rate of internal accumulation — does influence current investment intentions, it does not determine current actual investment.

(vi) The Indian private sector's, especially Indian monopoly's, bargaining power *vis-a-vis* foreign monopoly capital has reduced substantially since the period of capitalist crisis. This is indicated by the sharply rising proportion of foreign equity in new consents for equity issue. It is also noticed that when an investment project gets delayed in the process of its finalisation, its foreign exchange cost rises. This occasion is used by the foreign collaborator to increase its equity participation in the new enterprise, both absolutely and relatively. This is indicated by frequent changes in capital issue consent[39] relating to certain Birla companies: Bihar Alloy Steel, High Quality Steel, Indo-Newall Machine Tools and Universal Tyres. In all these projects, the foreign collaborator succeeded in raising its relative equity participation over time, but ultimately the Birlas did not implement any of these projects.

From an analytical viewpoint, although the "principle of increasing risk" does not operate in Indian industry so far as institutional finance is concerned, it is likely to be valid in relation to foreign equity participation. An increase in the proportion of foreign equity increases the share of profits to be foregone by the Indian monopolist — this reduces the expected profits from any investment project and hence reduces its attractiveness.

If the characteristics of the joint sector are examined, then it follows that they are designed to meet the above problems thrown up by the recent capitalist crisis.

First, increasing indivisibility of investment increases monopoly's need for institutional finance. For example, TISCO expanded its steel capacity in 1959 by 1 million tons which was worth Rs 100 crores. The current TISCO expansion scheme relates to 2.5 million tonnes with total investment worth almost Rs 800 crores.[40] Even though the Tata house's total investible surplus is considerably more in 1974 than in 1959, the project is beyond the Tatas, on their own. A 15 per cent minimum promoter's contribution in any new investment — as laid down by the Indian Companies Act — would require Tatas to invest Rs 120 crores at the least. If, however, the project is in the joint sector then the Tatas need to invest only Rs 60 crores and still have management and control in their hands. The total assets of the Tata house now is about Rs 800 crores so that an investment of Rs 60 crores in the steel expansion project would double Tata's assets.

Let us examine this logic more closely. The debt: equity ratio in any large investment project is normally 2: 1 (two parts debt and one part equity). Numerically, in a Rs 100 crores project, Rs 66 crores is financed by loans, debentures and preference shares, whereas Rs 33 crores comes from equity. In order to satisfy the requirement of Company Law regarding minimum promoter's stake and also to retain majority control, earlier an Indian monopolist like Birla used to invest about Rs 17 crores in terms of equity. The rest of the funds used to come from public financial institutions, the foreign collaborator and the general public. In the joint sector, however, there is joint promotion by the government and the private promoter. Now it is possible for Birla to start a new Rs 100 crores investment project in the joint sector with an investment of about Rs 8 crores corresponding to its 25 per cent equity participation. The government and the public financial institutions now invest about 8 per cent more of required finance, than earlier.

The joint sector thus halves the private promoter's investment in any new project.[41] With a given amount of investible surplus, in the joint sector it becomes possible for a large industrial house to *double the number* of its projects than possible earlier. Thus not only the area of investment is enlargened, risks are also spread out over a larger number of projects and industries. Monopoly's inducement to invest is raised.

Secondly, joint promotion by the government and the "use of its good offices" to expedite the project in different ways reduces the bureaucratic element in the investment lag. Thus the monopolist's own capacity to adjust and reverse his investment decisions is correspondingly increased.

Thirdly, in relation to foreign monopoly capital, the joint sector's bargaining power is enhanced. In any case, foreign equity participation is restricted to 20 per cent.

Fourthly, the joint sector is a means to expand the areas and spheres of operation of Indian monopoly relative to the public sector without a corresponding reduction in the volume of public investment. Having consolidated itself in traditional consumer's goods industries and machinery for consumer's goods industries, Indian monopoly would now seek to enter and dominate the mother-machinery industries and basic industries, but they cannot do so on their own. These are also the industries mainly listed in Schedule A or B of the 1956 Industrial Policy Resolution. The joint sector would make entry of Indian monopoly into such industries possible through greater financial assistance and other means of promotion, without modification of the IPR of 1956.

Finally, the joint sector would become an alternative to the nationalisation of monopoly houses. Such nationalisation of monopoly houses is both institutionally necessary and technically possible. It is institutionally necessary because the elimination of the monopoly houses would remove a number of constraining factors to the rapid growth of Indian industry. It is technically possible because the amount of compensation required will not be forbidding. This is so both because of the existing large government equity in monopoly houses and also because of the holding-company-structure characteristic of Indian monopoly houses. For example, in TISCO, government's equity participation is 42 per cent whereas the Tata's controlling interest of a little more than 8 per cent is held by Tata Sons Pvt Ltd, the holding company of the Tata house. Nationalisation of Tata Sons would result in the virtual nationalisation of the Tata house, or at least its principal companies.

But the propagation of the joint sector as an envisaged instrument of control of monopoly would lessen the force of the nationalisation argument. Thus the conclusion is inescapable that the joint sector is an ingenious instrument of protection and promotion of Indian monopoly capital in its crisis phase.

Appendix

FICCI's INTERNAL ASSESSMENT OF THE JOINT SECTOR

The following extracts are taken from "Note on the Concept of Joint Sector" prepared by the Standing Advisory Committee of FICCI, sometime during 1972. It was prepared on the basis of replies to FICCI Secretary's enquiry addressed to Naval H Tata, R P Goenka, K K Birla, M V Arunachalam, D C Kothari, Charat Ram, K N Modi, Raunaq Singh, H P Nanda, Bharat Ram and H S Singhania.

(i) State governments seem to have accepted the principle of leaving the day-to-day administration of joint enterprises to the managing director nominated by the private sector participants, the state nominees on the Board confining themselves to policy matters. This pattern of joint management has certain advantages in the sense that it obviates difficulties of obtaining licences and raising capital. At the same time, professional management can be made to play its useful role. It is important that this pattern of joint management is maintained in future.

(ii) A private entrepreneur is able to participate in a joint sector project with a lower amount of nucleus capital — 8 to 9 per cent of capital employed — as compared to what would be needed for setting up his own industrial undertakings — 15 per cent.

(iii) Respective powers of Chairman and Managing Director need to be defined. Otherwise it may lead to state government's interference through the state-appointed Chairman in the day-to-day management of the Companies.

(iv) The provision that state government should approve the appointment of managing director at the time of renewal of the agreement can lead to difficulties for the company since the acceptance will be subject to the predilections and prejudices of the ruling party in the state government.

Notes

[The author is grateful to S Ganguli for his guidance and also to S S Sivakumar, Shoji Ito and Jayabrata Bhattacharjee for their comments and suggestions. The author alone is, however, responsible for any errors that remain.]

1 Report of the Industrial Licensing Policy Inquiry Committee (Chairman: S Dutt), Government of India, 1969, p 187.

2 "We have obviously no bias against this [joint sector] concept and are, on the contrary, very receptive to the principle of co-operation between the public and the private sector which we believe to offer special advantages in some cases." So states the Tata Memorandum on Industrial Growth (dated May 17, 1972), printed in *Mainstream*, August 19, 1972, p 13.

3 "Joint Sector as a form of industrial organisation has considerable potentialities." See "Planning for Results", FICCI, September 27, 1972, p 40. Also FICCI's (internal) assessment of the joint sector extracts from which are reproduced in Appendix 'A' of this paper.

4 "Dalal Street Wants More of This Socialism", reported the *Economic Weekly*'s stock exchange correspondent from Bombay, commenting on the post-Avadi budget. See *Economic Weekly*, March 5, 1955, p 325, as cited in M Kidron, "Foreign Investments in India", Oxford, 1965, p 139.

5 See Samuel Paul, S K Bhattacharya and S C Kuchhal, "Joint Sector: Guidelines for Policy", *Economic and Political Weekly*, December 9, 1972, p 2416.

6 To be distinguished from a "mixed enterprise system" which refers to the nature of the economic system as a whole and not an individual company or enterprise. For a fascinating analysis of the nature of government intervention and public sector in a "mixed-enterprise system", see Meir Merhav, "Technological Dependence, Monopoly and Growth", Pergamon Press, 1969, Ch 4.

7 Although the government owns about 52 per cent of IISCO's equity, only its management was nationalised in July 1972 for a period of 3 years.

8 This is not so in every case though, e g, IISCO before the takeover or Premier Tyres where the government owns more than 50 per cent of the equity.

9 These are rough estimates based on evidence given in Dutt Committee Report, Appendices, Volume IV; *Economic Times*, October 4, 1970; "Joint Sector: Adapted to Private Ends", *Economic and Political Weekly*, July 15, 1972, p 1351; and also Shoji Ito, "Studies in Indian Zaibatsu: Roles of Inter-Corporate Investment", (Mimeo), Institute of Economic Growth, 1974.

10 In reply to the author's query, representatives of Madras Refineries, Madras Fertilisers, Lubrizol India and Triveni Structurals have categorically stated that their companies are not in the joint sector.

11 Report of the Study Group on Joint Sector Enterprises for Industrial Development (Chairman: R G Saraiya), Finance Department (Planning), Government of Maharashtra, 1961.

12 "The Third Five-Year Plan: Maharashtra State", Finance Department (Planning), Government of Maharashtra, 1961, pp 71-72 and 75.

13 These projects are: Manganese Ore (India), Bharat Forge, Mahindra Ugine Steel, Central Pulp Mills, Khandelwal Ferro Alloys (Tube Mills) and a cement plant in Yeotmal district. "Annual Plan: 1966-67", Government of Maharashtra, 1966, Part 1 — Outline, p 110.

14 The study group was appointed by Maharashtra government's Consultative Committee on the Third Five-Year Plan. Naval Tata was one of the members of this Consultative Committee also. Cf Saraiya Committee Report, p 1.

15 John P Lewis, "Quiet Crisis in India", Bombay, 1963, pp 220 and 230-231. Another interested American observer noted the potential significance of mixed enterprises in India, even earlier. See Daniel L Spencer, "India: Mixed Enterprise and Western Business", The Hague, 1959.

16 See Dutt Committee Report, pp 186-187. We summarise the argument below.

17 See H K Paranjape, "Joint Sector and the Boa-Constrictor", *Mainstream*, November 10, 1973, pp 12-13.

18 See H K Paranjape, "Joint Sector", *Economic and Political Weekly*, November 10, 1973, p 2022.

19 For an interesting analysis of this aspect, see A N Oza, "Dissecting the Joint Sector", *Economic and Political Weekly*, October 28, 1972, pp 2178-80.

20 All the quotations are taken from the Tata Memorandum as printed in *Mainstream*, August 19, 1972, and from Paranjape's article in *Mainstream*, November 10, 1973.

21 The joint sector can thus be regarded as an instrument of reducing intra-monopoly competition, i e, rivalry between monopoly houses.

22 Report on the working of the Punjab State Industrial Development Corporation, (Chairman: Satya Pal Dang), Committee on Public Sector Undertakings, Punjab Vidhan Sabha, 1974. For a brief review of this report, see "Joint Sector Promotes Private Interests", *Patriot*, March 22, 1974, p 2.

23 Dutt Committee Report, pp 105-106.

24 On this and related aspects see P B Medhora, "Industrial Growth Since 1950", Bombay University, 1968, pp 28-30 and 37-41.

25 See for an alternative approach to the working of the licensing system, Asim Chaudhuri, "Industrial Licensing Policy and Prevention of Concentration of Economic Power in India: A Critical Review", *Artha Vijnana*, December 1972, pp 333-373.

26 See for detailed discussions, A N Oza, "Curbing Concentration of Economic Power: A Critique of the New Licensing Policy", *Economic and Political Weekly*, April 21, 1973 and "Facade of Licensing", *Economic and Political Weekly*, February 17, 1973, pp 365-366.

27 In his letter to P N Haksar, the President of FICCI, Madanmohan Mangaldas writes (Reference F 5221/I/2 dated 30-6-1972): "Our specific suggestions in this regard are two: (a) government may draw up well-defined guidelines for various approvals within the framework of plan objectives and self-reliance and (b) ensure that applications for various permissions are concurrently cleared instead of the present multi-stage procedure. These will go a long way in cutting out delays which everyone regrets."

28 See M Kalecki, "Theory of Economic Dynamics", Chapter 8 on "Entrepreneurial Capital and Investment".

29 See Dutt Committee Report, p 195, section 8.56.

30 Dutt Committee Report, Table II, p 155.

31 "Government Loans to Big Business", *Mainstream*, September 30, 1972, pp 10-12.

32 For details see the author's (unsigned) reports on the Sarkar Commission in *Economic and Political Weekly*: 'Public Money for Private Empires', January 12, 1974, pp 15-16 and 'Pre-emption of Institutional Finance: Procedural Red Herrings', February 2, 1974.

33 "Finances of Medium and Large Public-Limited Companies, 1970-71" *RBI Bulletin*, September 1972.

34 It can be said that the old managing agency system is being replaced by a new managing agency': the joint sector.

35 See "Economic Survey: 1973-74", Government of India, pp 15-16.

36 The data on Tata, Birla and Mafatlal provided here relate to all the first-tier companies of these houses (as defined by the Dutt Committee) which are included in the Bombay Stock Exchange Directory. The sample is hence quite representative.

37 See R K Hazari, "Industrial Planning and Licensing Policy", Final Report, Government of India, 1967, Volume 1, Text, pp 3 and 39; and also "Project Costs Skyrocket", *Economic Times*, January 19, 1973, p 1.

38 See "Finances of Large Public Limited Companies 1970-71", *RBI Bulletin*, February 1972.

39 As observed from various issues of *Quarterly Statistics of the Working of Capital Issues Control*, Ministry of Finance, Government of India.

40 If it were a 3 million tonnes expansion, then the investment would be worth Rs 1,600 crores, according to the latest project report. "TISCO Expansion Requirements", *Economic Times*, April 10, 1974, p 6.

41 This is what is being pointed out in FICCI's "Note on the Concept of Joint Sector" (see the Appendix) when it is stated: "A private entrepreneur is able to participate in a joint sector project with a lower amount of nucleus capital — 8 to 9 per cent of capital employed — as compared to what would be needed for setting up his own industrial undertakings."

Reflections of an Indian Scholar

Susanne Hoeber Rudolph

In India, the author suggests, there is today a wave of what may be called cosmological nationalism, an impetus toward repossessing one's intellectual categories even as one has repossessed one's political fate and one's cultural climate.

When there is talk of an Indian sociology and an Indian political science, sometimes what is at stake is a protest against the ill fit of Western social science; sometimes a hope of uncontaminated or less contaminated indigenous categories by which to grasp reality; sometimes a wish that the social scientists and other intellectuals (Indian and foreign) shape up, do relevant social science, and support official visions of the Indian future.

Of these only the first two are relevant here. Cosmological nationalism may be, at its narrowest, merely a game for home consumption. At its best, it may be a step toward Indian participation in the reconstruction of a universal social science. The foreign area scholars who work on India and the Indian social scientists have both some unique perspective to bring to that reconstruction.

WE were a very small tribe, we American political scientists who took an interest in India in the early fifties. We could be counted on the fingers of one and a half hands: three at Berkeley, two at Harvard, one at Penn, one at Princeton, one at Wisconsin. We were off-beat in the discipline: everyone knew, and went out of their way to advise us, that professional futures lay in the politics of England and France or the US, "real" countries, with "real" political systems. An eminent constitutional lawman at Harvard advised my husband that it was OK for Susanne to take an interest in India; girls could afford to pursue whimsical interests; but serious scholars had to recognise that solid men did not throw themselves away on marginal problems. It took another ten years before the comparative study of new nations became a a strong vogue. Rupert Emerson seemed almost alone in the profession of political science at that time in lending some respectability to non-Europe.

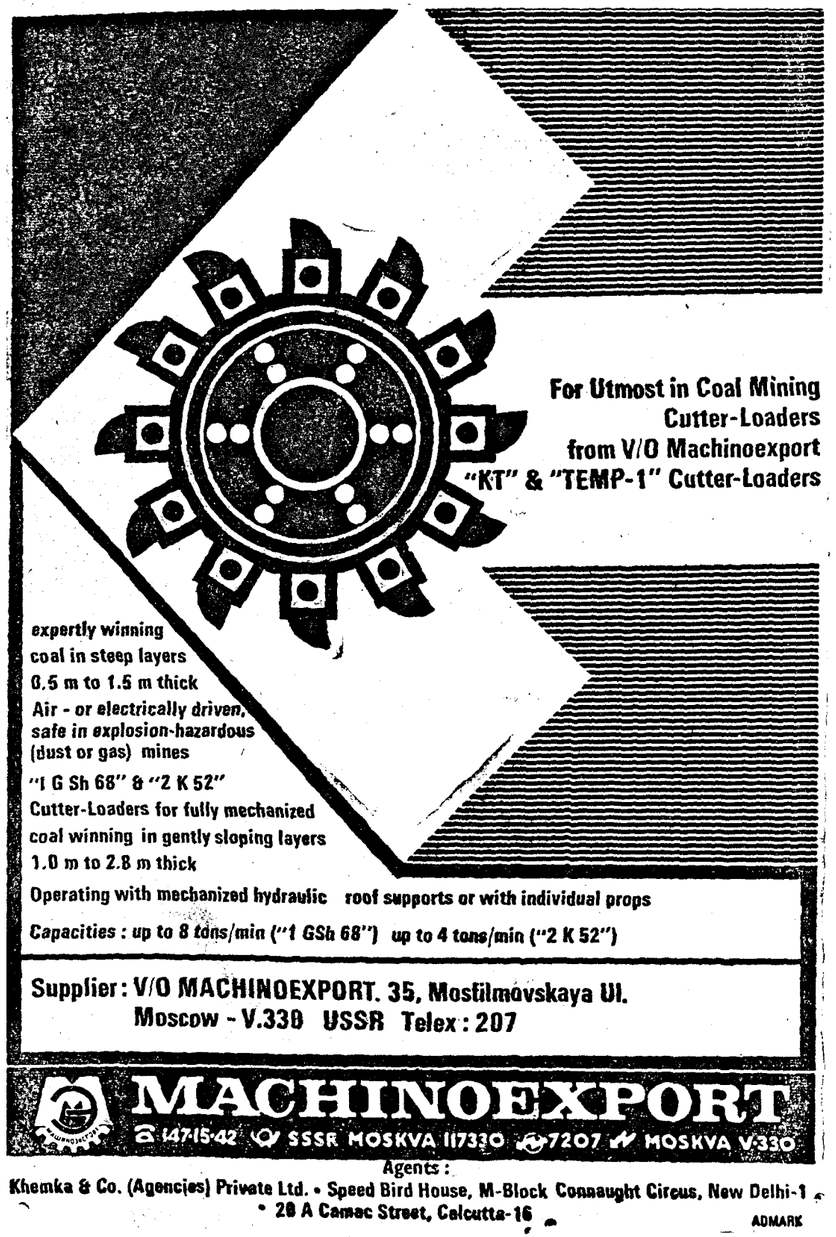
The surrounding intellectual landscape, including the categories of the profession, was equally inhospitable to our enterprise. We were equipped with institutional and legal tools that proved uncommonly brittle as we tried them on our Indian data. We had read Ivor Jennings on cabinet government in England; Clinton Rossiter on the American presidency; David Truman on the political process; and reflected with Dwight Waldo on whether policy and administration could be fruitfully separated. Carl Friedrich taught us constitutional democracy.

We were trained, in short, in macro-institutional, historical, and legal studies, at a time when the great behavioural wave was yet to rise. Sociological and anthropological data were relatively suspect. Talcott Parsons was only just beginning to infiltrate political science with European macro-sociological concepts. Survey research was a new thing; aggregate data analysis was something economists did; cross-cultural comparisons were essentially confined to anthropology.

All of this macro-institutional training suddenly appeared very formalistic when we arrived in the field. We found it hard to believe that the countless English analyses of Morley-Minto and Montague-Chelmsford, of the Simon Commission, the constitution of 1935 and of the stillborn federal scheme were a reliable guide to political reality. Most of us ignored all this, and headed instead for state capitals and district offices and village panchayats. We did so partly with a sense that independence had rendered legal and constitutional structures less important by promising bold new socialist and nationalist departures. Economics and politics, not fundamental law, was the name of the game. (We were wrong, of course; the legacies of those sixty years, reworked and re-interpreted as they have been, are absolutely crucial to the enduring framework of the post-Independence Indian government.) We ignored it partly because, like all American political scientists, even those with training in constitutional law, we were populist enough to believe that the real action had to be somewhere else than at headquarters; anyone living in the hurly-burly of Boston or Chicago politics always developed some experiential scepticism about parliaments and courts. And we ignored the constitutional and legal picture partly because it was in any case familiar, and had been accounted for. We believed that that which made the Indian experience different, that which might make a new contribution to learning, could not be found at Delhi.

I have been hearing a good bit, in the last two years, from Indian colleagues and Indian officials about how we've all been bought into Indian studies. As I devised some exercises in historical and psychological data retrieval, I did come across that original Ford grant that sent me and my husband to India in 1956 — no doubt the necessary condition for our going. But by itself, how insufficient a condition. How can I, sixteen years later, convey that mixture of utter zestfulness, of brimming curiosity, of commitment to fluid intellectual categories, of confident belief that we would bring back new data and understanding which would enliven the intellectual enterprise. And that heubrisful frame of mind without which no fresh-minted young scholar will ever make a contribution, that gave us the conviction that we would break open the staid categories of our discipline, and de-parochialise our unadventuresome colleagues who couldn't even pronounce 'Uttar Pradesh', and who thought the vote was the last rather than first act of political education.

Whatever else the American political scientists did, then, when they went to India, they did not transplant the American political science in which they had been trained. There are virtually no institutional studies of the classical, legal, administrative, legislative, or executive variety by American scholars; Granville Austin's study of the constituent assembly is almost the lone exception. Nor did we, though we have often been accused of it, export the functionalist comparativism that became a vogue in the late fifties. It went to India, but mainly via other channels. It travelled *via* its direct impact on Indian scholars who responded to American professional books and journals. It also travelled *via* cross-national survey teams that were organised by scholars who had no special area base, but who believed the categories of political culture were universal



rather than differentiated and indigenous. Very little came via the kit bag of American political scientists working on India, most of whom quickly became queasy about the disparity between functionalist theory and what they found on the ground.

We did transplant one Western political science much in vogue in the fifties and which bridged earlier historical-institutional interests and the new behavioural dispensation. That area was party, ground well hoed in different ways by Duverger and McKenzie and V O Key. The first wave of American political science produced a large spate of party studies, from Congress through Swatantra through Jan Sangh to Communist. But for the rest, scholars tended to focus on what seemed different and fresh, and took their cues from the Indian situation: village decision-making; caste and politics; distinctive themes of consensus; ambivalence about and opposition to power; problems and prospects of the secular state; the law of progressive discrimination.

What happened to us is what happened to comparative scholars who went to Africa, or South-East Asia, or the Middle East, or Japan. All of us had a common experience: Western institutional structures transplanted from imperial motherlands either did not perform at all, or performed differently in their new contexts. We were driven out of the conventional institutional studies, or forced to evaluate the cultural contexts that produced such different consequences.

We needed to understand these contexts, and there was nothing for it but to soak ourselves in them. We grasped for disciplines which could lend pattern to the immersion; we all became instant anthropologists, not because we were among primitive tribes, but because that discipline legitimised participant observation as a research tool, and we all felt some need for it. The anthropologists have most thoroughly systematised paths toward inside understanding and grasping indigenous categories and meanings.

What then did the American students of Indian political science teach Americans or Indians or themselves? We can answer that in part by examining what they said; but as social scientists, we observe that emitting a message is not the same as assuring its reception. In terms of reception, I'm impressed with the fact that American secondary or higher education, let alone mass public opinion, remain largely untouched by our collective efforts. There is a strong assertion, in a recent white paper out of the Indian Ministry of External Affairs, that we haven't succeeded, after twenty years of Indian studies, in conveying a correct image of India, notably with respect to India's capacity to sustain her unity. I'm sure they are right. I suspect that it will be a long time before India is justly perceived in the US. *Ad hoc* TV accounts that focus on crisis spectacles get higher ratings than do the midnight interviews on educational TV where we India scholars perform our non-prime time acts.

While I'm sure the white paper was right in its pessimistic assessment of our impact, it was wrong with respect to its summary of the messages. Most of us spent the first ten years of our careers, after 1955 or so, confronting two durable stereotypes of India. The first was the stereotype that India was a country of a hundred tongues, which could not remain united on that account. The Balkans and the Tower of Babel usually served about equal time as comparative analogies. In the case of Balkan fragmentation, no one ever seemed to ask what part of the variance could be accounted for by Hapsburg mismanagement and political insensitivity. The second image focused on that indelible figure, the poor, illiterate, hungry, Indian villager, usually female with baby, who obviously was not available for anything except the politics of paternalism and authority.

The first image invited us to reiterate endlessly that India was not about to fall apart. For our pains, we suffered the supreme dishonour in American political science, the charge of Pollyannaism. In America, it has always been better to be hardnosed than dewy-eyed; among the political scientists it was and remains true that if you err in prediction, you should always err on the side of pessimism. Our assertions were suspect in part because the Indian instance systematically contradicted the predictions of much new comparative and modernisation theory. That theory emphasised the necessities created by underlying — and implicitly determinative — social forces. It did not give much credit to political skill. If underlying forces seemed to be unfavourable to unity, no one thought political skill could, as it did in India, channel those forces to unity. Among our most vigorous opponents in this debate, between 1958 and 1968, were Indian political scientists, journalists, and public commissions appointed to consider the effects of caste and language on emotional integration. They almost uniformly, from Shriman Narayan through M N Srinivas, embraced aspects of an Indian fragmentation theory, although, as Rajni Kothari, who is not of that persuasion, remarked somewhere, they should have known better. Between them and Selig Harrison, the talented journalist whose excellent if wrong-headed book systematised the fragmentation theory for Americans, the American political scientists of India had rather an uphill task.

When we weren't spending our time saying, "India won't fall apart", we were saying, "There really is someone down there." The Indian villager and mofussil merchant or artisan do in fact act; they have interests, opinions, demands; and they are capable of articulating them. The American stereotype of the illiterate, passive, Indian villager, ensconced itself in American comparative theory via the concept of the elite mass gap. Many of us persistently pressed the notions that ordinary Indians are among the most actively mobilised political peoples; that mobilisation reaches well below the literacy line and out beyond the cities where mobilisation was said to take place; that literacy and urbanisation are, perhaps, weak indicators of political articulation in societies that democratise in the twentieth century.

Since the issue has been raised, often polemically, I have tried to ask myself to what extent American scholars of India represented dominant trends in American social science. I have already suggested that few of the first wave adhered to the legal and institutional perspectives in which they had been trained, and that the scholars of India were relatively impervious to functionalist comparativism. They did bring to the study of Indian data a pluralist perspective. But here we must make a distinction. The pluralist perspective is both a way of viewing empirical reality and a normative position. As an empirical perspective, pluralism emphasises and looks for the voluntary or ascriptive groupings into which social forces organise themselves when they bring political pressures to bear; empirically, it often captures more of reality than does a perspective which stresses individual political actors or one that stresses social classes. I do not claim these are entirely matters of objective fact; at the moment, similarly competent political scientists looking at India seem to be seeing different quantities of pluralistic vote banks and non-pluralistic classes. But we used pluralistic perspectives in India not so much because we were American political scientists, but because so much of Indian reality seemed to invite it. I am not sure that data ever spontaneously organises itself, but at the very least, from an empirical point of view, plural-

ism seemed to be an indigenous category, and many would argue it still is.

As a normative perspective, pluralism represents the view that somewhere behind the clash of interest groups there moves an invisible hand that will draw rational and representative results out of the myriad interactions of contentious and demanding groups. This normative perspective was not usually embraced in studies of India. Many American scholars believed that the criticism levelled against normative pluralism in America applied all the more to India, that those who have the means better to organise themselves, who already have resources, are in a stronger position to move the invisible hand in their favour. Some of us, and I think I would include myself among these, found ourselves offering a more benign interpretation of the consequences of interest group pressures in India than we were prepared to offer in America. We took this stance in dissent from some Indian intellectuals who, when they wrote about their own system in the mid-fifties or early sixties, were often unsympathetic with the messiness of democratic participation. We perceived their lack of sympathy as elitist, and opposed it with a certain populist fervour.

Meanwhile, back home, a new class of practitioners of comparative politics was arising, quite unlike the old British and French comparativists. The French and British comparativists had been, like us, area scholars living at Paris or London, and absorbing the thought and culture of their locations before they began to compare. Unlike them, the new comparativists were distinguished by being relatively liberated from specific data pertaining to any particular area. Innocence of area data was thought to conduce to more universal theorising. We listened to them with a certain cheerful and programmatic obtuseness as they upbraided us with our excessive zeal for cultural immersion, and called us to the higher, dryer ground of comparative theory. It was a protective obtuseness, which saved many of us from the fruitless and ethnocentric concepts of premature theorising.

On the other hand, our colleagues were right when they said we needed more than context and immersion. We needed concepts and theory to grasp the social facts we observed. The question was, who would be ready, when, to formulate such theory? What in fact ensued was an extraordinarily pernicious division of labour. Professional comparativists in the late fifties and early sixties began to formulate questions and concepts for dealing with the reality of new nations. Relatively unrefreshed as they were by the revolution in perception that was overwhelming the area scholars, they relied heavily on older constructs, notably Weber, sometimes Marx, or Person's mediation of Weber. Meanwhile area scholars, between 1960 and 1970 began to produce the data base, but also the new frameworks of meaning, which would render these formulations increasingly doubtful. As fast as comparativists built new theory, area scholars began to dismantle, sometimes by offering counterconstructs, more usually by what might be called paradigm nibbling. It gradually began to dawn on us that much more was at stake than the interpretation of India or of some other new nation. What was at stake was no less serious game than the disestablishment of prevailing views of world history and civilisation. These provided the implicit and often unrecognised underpinning of Western social science. This was no small game; it was big game, involving great theoretical daring and boldness. And most of us had aimed, after all, for something less than Spenglerian or Toynbee-esque vocations.

Let me elaborate, for a moment, on what is likely to be disestablished.

Behind the social and modernisation theory the comparativists developed lies a theory of history which was perhaps best articulated by the greatest comparativist of them all, although not, perhaps, in his best moment. Max Weber so opens "The Protestant Ethic and the Spirit of Capitalism":

> A product of modern European civilisation, studying any problem of universal history, is bound to ask himself to what combination of circumstances the fact should be attributed that in Western civilisation, and in Western civilisation only, cultural phenomena have appeared which (as we like to think) lie in a line of development having *universal* significance and value.

It is not the sort of statement to which any modern social scientist schooled in the hazards of cultural hubris would commit himself. Yet its assumptions govern much modernisation theory, both that stream which flows from Marx and that which flows from Weber. It is a theory which postulates multiple historical pasts, differently experienced in different parts of the world; it postulates, for all these pasts, but a single future (that which lies in the line of "universal value", and of which Western experience has given us a glimpse). The crux of the theory is — and here Karl Deutsch, Seymore Martin Lipset, Daniel Lerner, Marx, and Weber can safely be subsumed to a common rubric — that certain events of the last two hundred years are so powerful that before them all previous heterogeneities must give way, transforming themselves into a single, homogeneous future.

This is not to say that everyone will reach that future. In this particular teleological scheme, Indian or South-East Asian or Chinese acorns are essentially promised the equally questionable options of either growing or not growing into Anglo-American oak trees. To Weber it seemed unlikely that countries dominated by Asian religions, lacking the critical cultural ingredients that the Judaeo-Calvinist ethic represented, would reach the universal future. Marx would have been similarly pessimistic, but he believed in the progressive effects of imperialism, which exported bourgeois productive relations to eastern immobilism, and thus set India too on the way to the "universal" — i e, our — future.

The future promised to all new nations was a syndrome of elements that looked (as has now often been remarked) uncommonly like a description of selected countries in the West circa 1950: urbanisation, literacy, increased communications, political participation, industrialism, centralisation, egalitarianism, decline of corporate groups, individuation, de-mythification, rationalisation —, I shall not go on. Specific elements in the syndrome varied by authors, but they had certain features in common. In each case, the elements were seen as associated with each other by logical necessity, bound together by some form of constraint or functional interdependence, by some assumption of reciprocal causality. And the causality was seen to lie essentially in those two hundred extraordinary years of history, in which the march of a new technology impressed itself on all social reality, shaping it to its overweening requirements.

Yet the association of these elements is in fact neither logical nor necessary. The future is not one syndrome, it is many. The particular syndrome which is the present and future of the West is historical, specific, experiential. It arises out of the interaction of one factor which may be universal, 19th and 20th century technology, with unique features, the normative and structural givens of earlier European history. The outcome of this encounter, our society, values, and social structure, are culture specific. The belief that they are logical and necessary arises from the subjective psychological states of Americans and Europeans, prone to believe that their history is universal history, not merely a temporary, possibly deviant set of events on the shores of the north Atlantic. The syndromes of future history, which called themselves a set of hypotheses about social change, in fact functioned as a belief system that gave meaning to the Anglo-Americans in the 20th century.

What has become increasingly apparent is that while the technological breakthrough of the last two hundred years has indeed exercised a powerful effect, its homogenising consequences have been much exaggerated. As diverse cultural and historical legacies interact with the common experience of the industrial revolution, they create heterogeneous outcomes. Indeed, the effects of the industrial revolution are themselves increasingly various as new forms of technology and industrial organisation diverge from the original. And even where culture and previous history may not dictate outcomes different from those of the West, often political policy does or can, by choiceful and purposive action.

The social sciences in the West, in sum, have gotten stuck with a series of propositions concerning the nature of social change which are based on our understanding of our own history, but elevated to the level of universal postulates. They have constrained us in our visions of our own future alternatives as much as they have constrained non-Western countries in their vision of theirs. Re-formulating Western social science, and the image of world history that lies behind it, is a task which will re-locate us in our own cosmology, as well as in that common cosmology which other nations may or may not share with us.

Who will participate in these reconstructions? I take seriously the precepts of the Mannheimian sociology of knowledge, which would assert that our very vision, the categories by which we perceive reality are created and constrained by our social and cultural context. Pursued somewhat simple-mindedly, this notion would lead to the conclusion that the social science constructed by Westerners must be Western social science; and by contrast, when Indians begin to construct theirs, it will be Indian social science. By that measure, the hope for a universal, or at least a more universal, social science is a will-o'-the-wisp. But I would remind us that we have had a good bit of public education in the sociology of knowledge in America in the last ten years, and the lessons are not so glum. The new American ambassador to India was told some years ago that his sociology of the black family was white Irish male sociology. Women fancy they see "ideology" in male sociology of sex differences, "ideology" in the double Mannheimian sense, first of social science vision which serves as rationalisation of *status quo* arrangements, and second, as a social science vision that cannot transcend itself because it is anchored in the categories of male culture and personality. But out of these critiques has come, not a despair which laments that there can never be more than sociologies, black, female, white, male, fragmented and mutually irrelevant. Rather, there has come a cautious optimism that participation, in which we Americans like to see the cure of so many things, may prove meliorative here as well. Participation in theory construction by previously excluded classes will have similar effects on theory as it does on political power: it will change the balance of power, the terms of trade, the tilt of values. But beyond that, or before that, it may enlarge the categories, expand the visions, and broaden the comprehensiveness of theory. The notion of participatory theory construction has too populist a ring perhaps to be acceptable in intellectual circles. But that is the only direction in which we can hope for more comprehensive theory, theory which can move further toward the universalism to which the best social theory has always aspired.

In India today there is a wave of what I'm tempted to call cosmological nationalism, an impetus toward repossessing one's intellectual categories even as one has repossessed one's political fate and one's cultural climate. When there is talk of an Indian sociology and an Indian political science, sometimes what is at stake is a protest against the ill fit of Western social science; sometimes a hope for uncontaminated or less contaminated indigenous categories by which to grasp reality; sometimes a wish that the social scientists and other intellectuals (Indian and foreign) shape up, do relevant social science, and support official visions of the Indian future. Of these only the first two are relevant here; the last is a problem for Indians to worry about. The first of these, the protest against the fit of Western social science and the search for indigenous categories, is a valid and fruitful part of cosmological nationalism. Its efforts can have small or large gains, depending on the breadth of vision of the cosmological nationalist. Some may find it useful to follow Louis Dumont's search for an Indian sociology, a search which finds "real" Indian categories in the homo-hierarchicus of Brahmanic subculture. That strategy will, among other things, expel most of the critical Indian social scientists from Indian social science: Andre Beteille, Dharma Kumar, Tapan Raychaudhuri, Romila Thapar, Satish Chandra are all Marxian influenced conflict theorists who don't fit well with Manu. But certainly searches for theory and categories have in India, in both religious and secular traditions, so much to work on that modelling from indigenous categories — indigenous in both normative and empirical senses — offers numerous possibilities.

Cosmological nationalism may be, at its narrowest, merely a game for home consumption. At its best, it may be a step toward Indian participation in the reconstruction of a universal social science. I like to think that we and they, the area scholars who work on India, and the Indian social scientists, have some unique perspective to bring to that reconstruction. (I don't mean to imply, in my use of the collective first person, that I expect American and Indian scholars of India to have their hands clasped to the same pen. Some intellectual separatism may, in fact, be benign at this moment in history.) We are both alienated — I use the word now in that philosophical sense which makes otherness and alienation a requisite for fresh vision — in ways that make it more likely that we can transcend the constraints which our respective national, cultural, and historical locations impose. Many of the American social scientists of India have spent up to a quarter of their grown lives in India, in ways that make India much more than the field. Many live there, intellectually, as much as they do at home. I may be a sport, but I can always tell you last Wednesday's news from the *Times of India* more reliably than this week's news in the *New York Times*. Unlike colonised peoples, we have been benignly infiltrated by the values and styles of another culture, benignly, with the grain, and with our wishes, rather than against them. The Indian scholars of India are alienated from their own in similar ways, by foreign styles and values, which were imposed by procedures that are today perceived as working against the grain rather than with it. The main point is, we both have double vision, operate within more than one set of norms and categories, and work with mixed and ambivalent motives. Because I assume that it is intellectual incongruities, mutually incompatible theoretical constructs, and uncomfortable fits, which are the spur to intellectual inventiveness, I believe our double visions and our ambivalences will be the fruitful ground of new theory construction.

FROM THE CHAIR

The Andhra Bank Limited

Regd. Office: Andhra Bank Buildings, Sultan Bazar Hyderabad 500 001.

Speech of the Chairman, Mr K K Narayan

THE following is the Speech of Mr K K Narayan, Chairman, The Andhra Bank Limited at the Fiftieth Annual General Meeting of the Share Holders held at Hyderabad, on June 7, 1974:

GENTLEMEN,

I have great pleasure in welcoming you all to this 50th Annual General Meeting of the Bank. The Directors' Report and audited Balance Sheet and Profit and Loss Account for the year 1973 have been in your hands for some time and I am sure you would have studied them with some interest.

GOLDEN JUBILEE

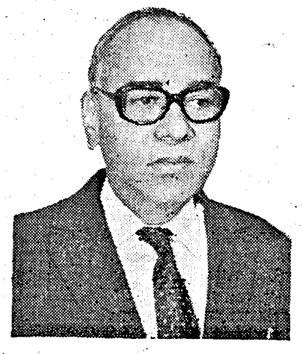
This Annual General Meeting is of special significance because it marks the completion of 50 years of useful public service by your bank to the people of this country, more particularly to the people of Andhra Pradesh. It is a matter of pride that this Bank which was started in a small way by the great patriot and illustrious Andhra Dr Pattabhi Seetharamayya, should have weathered all the vicissitudes of fortune and grown into the largest bank in the private sector today. This record of public service, of which any institution will be proud of, was celebrated by your Bank in a befitting manner on 25th December, 1973 at Hyderabad. The occasion was graced by the President of India, Sri V V Giri. On my part, I have been singularly fortunate in having been associated with the Bank on the eve of its Golden Jubilee.

ECONOMIC SCENE

The year 1973 was an exceptionally difficult year on the economic and political front. The problems faced by the country were stupendous. The drought during 1972 in several parts of the country and consequent set-back in agricultural production continued to have an impact on many fronts even during 1973. The political sagacity of the governments, both at the Central and State levels, has enabled the country to cross the big hump on its journey to economic freedom. One point that is driven home to us is how susceptible we are to just a year's drought even after two decades of economic planning and development.

There was a runaway rise of 18.6% in prices with its adverse impact on the economy, especially on the fixed income groups. This inevitably resulted in demand for higher wages by the organised labour. To the extent enhanced wages were conceded it was an addition to the inflationary pressure.

The all round rise in price level affected the industrial front as well. But there are signs of improvements despite the raw material shortages, power cuts and transport bottlenecks. It is hoped that the return of popular governments in many States, like Andhra Pradesh, will give a fillip to industrial activity.



Mr K K Narayan

Luckily the 1973 monsoon has been satisfactory. But the impact of higher farm production is yet to be felt by the economy. The foodgrains distribution pipelines which were drained by the middle of last year are gradually filling-in with the new crops flowing in from the fields. The situation however still appears to be difficult since one good monsoon is not able to undo the ill-effects of the earlier two successive bad agricultural years.

On the international front also, the situation has been equally unhelpful. The crisis in the international currency market and the sharp hike in petroleum crude price have thrown the world economy into disarray. The threat of a world-wide recession is still looming. The increased cost of crude oil and its irregular supplies is bound to deplete our holdings of foreign exchange reserves and affect our industrial production, particularly, in the core sector.

The Government has rightly decided to embark on a large sized Fifth Plan which will strengthen the industrial and agricultural sectors and thus impart a measure of self-reliance to the economy. I am sure that with the new industrial and fiscal policies now being reshaped and formulated, our economy will reach new heights in the coming years and the Fifth Plan implemented successfully.

CREDIT SQUEEZE

In the wake of the highly inflationary pressures operating in the economy, the Reserve Bank of India initiated a series of measures to restrain the rapidly increasing Bank credit. These measures include raising of bank rate, statutory liquidity ratio, net liquidity ratio and curtailment of concessional refinance facilities and fixing of minimum lending rate on bank advances. The Reserve Bank also tightened selective credit controls on advances against sensitive commodities and adopted, for the first time, a new technique, *viz*, the prescription of quantitative aggregate ceiling on the expansion of bank credit. The accent of the Reserve Bank policy has been to bring about an increase in the cost and availability of credit thus making the commercial banks step-up their deposits and depend on their own internal resources for credit expansion without resorting to borrowing from the Reserve Bank beyond certain specified ceilings. However, following the aggravation of balance of payments problems as a result of energy crisis, the Reserve Bank of India has exempted the export sector from the ceiling requirements. But the success of these monetary measures depends mostly on the borrowing constituents who should co-operate with commercial banks by restraining the use of credit. Your Bank, on its part, has been readjusting its lending policies in line with the changes in the monetary policies of the Reserve Bank of India.

REVIEW OF THE YEAR

The year 1973 has been a good year on the whole, despite the general economic climate in the country. The deposits and advances of the Bank at the end of the year stood at Rs 113.82 crores and Rs 81.51 crores respectively. The somewhat inadequate rate of growth of deposits of the Bank is partially due to disturbed political conditions in Andhra Pradesh in the early part of the year and withdrawal of deposits consequent on the credit squeeze imposed by the Reserve Bank of India in the last quarter of the year. I am happy to say that the Bhagyalakshmi Scheme, a savings scheme tailor-made for the small depositor, was taken up in right earnest and implemented vigorously and that there is good response, particularly in the metropolitan and urban areas. Kiddy Bank scheme, another of our novel schemes, continues to be popular.

PRIORITY SECTOR

On the Bank's total advances, advances to priority sectors including exports stood at Rs 27.45 crores forming 33.67% of the total. As in previous years, your Bank has been taking sustained interest in the welfare of small farmers, educated unemployed, small traders and other socially and economically backward sections of the community.

Advances to Small Scale Industries increased from Rs 8.98 crores to Rs 9.80 crores during the year, covering about 100 additional units. Emphasis is being laid on providing assistance to the self-employed people for setting up small scale units. Thus, our assistance to the professional and self-employed has increased by 76% over that of the previous year.

Your Bank has taken up the challenge of financing agricultural sector in right earnest and has built up the technical manpower required at various levels. As a result, advances to this sector stood at Rs 14.72 crores at the end of the year. Of this, direct finance to agriculturists was Rs 12.60 crores spread over nearly 1,20,000 accounts. Thus the average amount per account was about Rs 1,500/-.

Though operating in the private sector, your Bank has associated itself voluntarily with various schemes sponsored by the Government. It has been financing Primary Agricultural Co-operative Credit Societies, Small Farmers under SFDA, marginal farmers under MFAL and Girijans under Girijan Development Programme. It is presently financing the Andhra Pradesh Agricultural Credit Project (IDA) for Minor irrigation schemes under the guidance of the Agricultural Refinance Corporation (ARC) and is proposing to finance this scheme in Nandyal and Dhone taluks of Kurnool District also. It has also financed 2 Lift Irrigation schemes on the Lal Bahadur Canal of the Nagarjunasagar Project. These two schemes are expected to benefit about 600 farmers and provide irrigation for about 3,000 acres. Similarly your Bank has financed crop loans to the members of the Sri Dattatreya Co-operative Lift Irrigation Society Ltd in Gadwal taluk. With the organisational structure and lending techniques streamlined and simplified based on earlier experiences, your Bank may be expected to enlarge the financing of agriculture on area approach basis more and more during the coming years.

LEAD BANK

The banking industry has adopted the area approach concept of the Lead Bank scheme to enable the commercial banks play their due role in the process of economic development. The merit of the scheme is that it defines the area of responsibility clearly, at any rate geographically. This would enable us to determine the priorities on our resources.

Under this scheme, your Bank was allotted six districts — five in Andhra Pradesh and one in Orissa State, of these in two districts we are Lead Bank jointly with the Indian Bank. The initial quick techno-economic surveys of the Lead districts have been completed and this has helped us in identifying the centres where bank branches need to be established. Meetings of banks operating in these lead districts were convened and these centres were allotted to various banks on a mutually agreed basis. Subsequently, Consultative Committees have been formed in all the Lead Districts.

As the next logical step, your Bank will be taking up in depth studies in select predetermined, manageable units of area for stuying the scope and potential for investments as well as filling up the infrastructure gaps. This will help us in drawing up action plans, both short and long term, for the economic and banking developments in our lead districts. Your Bank is also proposing to take up the second round of survey for identification of growth centres for chalking out the long range programme of branch expansion.

BRANCH EXPANSION

During the year under review the Bank opened 28 branches as against 42 in the year 1972. The political disturbances in Andhra Pradesh and the inevitable period of consolidation after preceding five years of rapid branch expansion were responsible for the decrease in the number of new branches opened in 1973. I may mention here that we have plans to open about 50 branches at metropolitan, urban and rural centres during 1974.

The number of branches at the end of 1973 stood at 307. Your Bank continued its thrust into the rural scene during the year 1973. I am glad to mention that of the total number of 307 branches at the end of the year, you have as many as 268 branches in the rural and urban areas. I can boldly assert that your Bank has now a wide range of branches from extension counters to rural credit branches to suit the local conditions and the individual need and style of the people belonging to different walks of life.

MAN-POWER AND STAFF MATTERS

The Bank has evolved scientific methods of man-power, planning and development. It has become necessary to assess the requirements of staff in numerical as well as qualitative terms and also work out projections of future requirements, taking into account the plans for expansion, normal growth environmental factors and other developmental activities, such as lead bank responsibilities.

In terms of the man-power planning carried out recently, taking into consideration the number of branches, the deposit figures and advances at the end of the year 1973 and the anticipated growth of branches and deposits in 1974, the additional manpower required for 1974 is around 160 officers and 240 clerks.

The new promotion policy agreement entered into with the award staff union in late 1973 has given scope for the promotion of altogether 97 talented young men in the Bank from clerical to Grade III Officer cadre. Some more promotions are in the offing.

The Staff Training College has been organising several training programmes for officers at different levels, keeping in view their aptitudes and the needs of the organisation. The services of specialists from different organisations are also availed of for the purpose. The new recruits to clerical cadre are being given induction at the Staff Training Centre.

FORMER CHAIRMAN

I deem it my duty and I am also sure all of you too would like to place

on record our deep sense of appreciation for the very significant contribution made by my predecessor in office, Sri K Gopal Rao for the growth of the Bank. It has indeed a befitting recognition of his services that the President of India has conferred on him "Padma Sri". The Andhra Bank can take legitimate pride in this honour conferred on a professional Banker for the first time.

INDUSTRIAL RELATIONS

The policy of the Bank is to establish good rapport and have fair dealings with the Officers' Association well as the Award Staff Unions in line with the terms and conditions laid down under the Code of Discipline and it is hoped that they would play a constructive role in increasing productivity and maintaining proper discipline in the Bank.

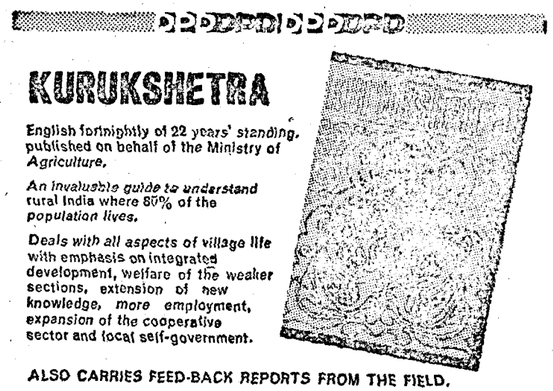
ACKNOWLEDGEMENT

I would like to make particular mention of the continued co-operation, advice and guidance I have received from all the officials of the Reserve Bank of India. My grateful thanks are also due to the Hon. Chief Minister of Andhra Pradesh, his council of Ministers and officials of the State on whose support and patronage the Bank depends greatly.

In conclusion I would like to express my grateful thanks to my colleagues on the Board who have spared their time and experience ungrudgingly in the discharge of my duties. I also wish to thank Mr M V Subba Rao, our General Manager, all the officers and all members of the Staff at the Head Office and branches for their devoted service.

Thank you.

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



Alembic Glass Industries Limited, Baroda

Speech of the Chairman, Shri R B Amin

High Indirect Taxes Harm Economy
Plea to Replace Excise by Value-Added Tax

THE following is the Speech of Shri R B Amin, Chairman, Board of Directors, Alembic Glass Industries Limited, Baroda, at the Twenty-ninth Annual General Meeting held on June 6, 1974:

LADIES AND GENTLEMEN,

I have pleasure in welcoming you all to the 29th Annual General Meeting of the Company. The Accounts for the year ending 31st December, 1973 have been circulated to you in advance and, with your permission, I shall take them as read.

I have to report, with deep sorrow, the death of our Director Dr Mangaldas J Shah in October, 1973. He was a Director of your Company for the last 23 years. I am sure you would all like to place on record our appreciation of his services as a member of the Board.

You will recall that in my Address to you last year, it was noted that indications were not at all good for the operations and results of your Company, in view of the rising costs all round and the unsatisfactory supply of power at Whitefield. These unfavourable factors have had their adverse effects on the working of your Company and have led to lower profits for 1973 in comparison with those in 1972.

To counteract the ill-effects of erratic power supplies at Whitefield, we made one of the two furnaces mixed melter so that it could be operated both on oil and by electricity. Nevertheless, there was significant lowering of output and sales from Bangalore in 1973. Thus, 1973 was the second successive year in which the overall production of your Company declined, from 50,262 metric tons in 1971 to 46,125 tons in 1972 and therefrom to 45,278 in 1973. Matters began to improve with the beginning of 1974 with the mixed melter furnace coming into production and with somewhat better power supply. This advance, however, was abruptly interrupted and checked by labour trouble at Whitefield. The unfortunate and uncalled for strike continued for fifty-seven days and has adversely effected our production and sales during the first half of 1974. We should now all work together to reach maximum output so that the operating results for 1974 could be more satisfactory.

Sales were maintained and marginally increased from Rs 6.61 crores in 1972 to Rs 6.93 crores in 1973. Further, the finished goods in stock were brought down from Rs 94 lakhs to Rs 53 lakhs, thereby taking up some of the slack caused by the lower production. Your Company also achieved significantly higher export earnings at Rs 21.92 lakhs in comparison with about Rs 3 lakhs in 1972. There are some problems in meeting both the requirements of internal demand and the growing needs of our export trade. Your Company will give due priority to the development of the export of its products and try to allot sufficient quantities for this purpose.

The Budget this year imposed an additional 5 per cent excise duty on glassware, taking it up to 25 per cent *ad valorem*. Government have found an easy way to augment their revenue by imposing excise duties. Nothing is left out, whether they are raw materials, intermediate goods or finished articles or whether they are necessities or so-called luxuries. While levying these taxes, the perverse precept that is followed is that nothing succeeds like excess. We have to carefully consider our economic objectives, adjust fiscal instruments and to introduce modalities and themes of growth in the Budget. The objective of tax policy has to be promotion of economic growth and the well-being of our people. In view of this, it is time to call a halt to this excessively revenue-oriented approach in our Budgets.

As of now, we load almost every consumer and industrial article with taxes at each stage of production. Fuel required for all production is taxed. Steel required in all fabrication is taxed. This in only the beginning of the cost increase multiplier. In the manufacture of glass containers, soda ash, a major raw material, bears a duty of 10 per cent *ad valorem*. Your Company pays out almost Rs 5 lakhs each year on account of this duty alone. On its finished goods, this duty came to nearly Rs 90 lakhs in 1973. Materials for packing glass containers like paper, paper board, fibre board and gummed tapes have all gone up in price through excise. The net result is that the product becomes artificially and unnecessarily expensive to the user. This user may be the housewife or the storekeeper who buys our Yeraware. Or it could be another industry which takes our products as containers for their output of pharmaceuticals, beverages, cosmetics or preserved food. Their products, in turn, bear further excise — 10 per cent *ad valorem* on prepared or preserved food, 20 per cent on aerated waters, 30 per cent on cosmetics and so on. All this means an overloading of the tax element on tax in costs of production and an unpleasant rise in the final price of goods for the consumer. Imposition of excise on excise is the way to ensure that the consumer feels frustrated because he is deliberately denied the good things of life by government by making them artificially and excessively expensive. It is also the way to cripple the manufacturers of such goods, to induce stagnation in industry and to aggravate unemployment.

It would be much better if the burden of excessive excise is taken off the back of our economy and replaced by something in the nature of a value added tax. Thus, the basis of taxation has to be value added and not gross value. If this is done production will increase and attain momentum, employment will go up, costs will decrease, goods will be cheaper and consumers will be happier. On a lower rate of duty, the increased turnover will more than take care of the revenue angle as well.

Any excise duty in the excess of ten per cent is counter productive and regressive. Excise higher than ten per cent acts as a curb on production and productive employment. In a situation of grave unemployment, underemployment and shortage of goods, high excise is undesirable and harmful to our economy and society.

Many goods are being very heavily taxed because they are termed luxury articles. Luxury is a very variable and subjective idea; solution of unemployment is a far more urgent and concrete objective than an arbitrary curb on luxuries. If we lighten the burden of excise we can undertake larger production and consumption of these goods in our own country. On this basis, quality will improve and reach international standards

so that we can go in a big way for exports to other countries, where labour costs are very high or where such production facilities do not exist. Therefore, we have to discard the approach of high excise on so called luxury goods.

Government should do re-thinking on excise duty, retrace its steps from the past erroneous approach and adopt a policy which favours growth, higher employment, greater availability of goods, a perceptible reduction of miseries and a better life for the people. What is wanted is an immediate and substantial relief. What matters is what we do now. A future utopia is irrelevant to people who are suffering here and now.

Before concluding, let me place on record my appreciation of the co-operation and assistance I have received from my colleagues on the Board as well as the officers and employees of the Company. We can be confident that with continued co-operation, hard work and understanding, the challenging problems posed by the grave economic situation and by the need to sustain the growth of your Company will be faced boldly and effectively in the years to come.

I now commend the Annual Accounts and the Directors' Report for your consideration.

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

Indian Overseas Bank, Madras

Directors' Report 1973

1. 1973 was a year of stresses and strains for the banking system. Starting from a comfortable resources position, the banking system passed through a phase of acute stringency for funds, as the year came to a close, in spite of a record accretion in deposits. The change in the complexion of the banking environment was brought about by an unprecedented expansion in demand for bank credit which the monetary authorities had necessarily to contain, having regard to the prevailing inflationary situation.

2. For IOB, 1973 was a year of all-round gains. Deposits and other accounts in India and abroad crossed the Rs 200 crore mark to exceed Rs 209 crores — an increase of Rs 50 crores or 31 per cent. In India, aggregate deposits went up by Rs 42.3 crores or 30 per cent, a growth rate higher than that of the banking system (18.8 per cent). The number of deposit accounts (in India) was up from 7.5 lakhs in 1972 to 8.9 lakhs in 1973. Lendings in India rose sharply by Rs 45 crores or 59 per cent against only Rs 10.4 crores or 15 per cent in 1972. The pace of growth in IOB's advances was, thus, much faster than the 23 per cent increase recorded by the banking system. With credit expansion outstripping deposit growth, there was a spurt in the credit-deposit ratio for IOB in India from 55 per cent in 1972 to 67 per cent in 1973.

3. It has been the Bank's policy to ensure that funds mobilised in rural areas are, as far as possible, invested for the benefit of rural population. Thus, the credit-deposit ratio for rural branches at the end of 1973 stood at 71 per cent as against the ratio of 67 per cent for the Bank as a whole in India.

4. Profits after tax (but before providing for bonus to staff) registered a smart rise of Rs 29 lakhs to Rs 66 lakhs. This is in contrast to a decline of Rs 2.3 lakhs in the preceding year.

5. The Bank's advances to the priority sectors continued to register progress. Total lendings to priority categories rose by Rs 7.3 crores, or 27 per cent, as compared to an increase of Rs 2.9 crores or 12 per cent in 1972. An additional 13,000 lending accounts covering the priority sectors were brought into the books of the bank, raising the total under this head to 83,000.

6. Finance to agriculture (both direct and indirect) rose by Rs 154 lakhs or 15.5 per cent, an improvement over 1972 (Rs 93 lakhs or 10.4 per cent). The number of lending accounts in agriculture went up by 7,000 to 67,000. The Bank participated in a host of schemes to promote farm lendings. In collaboration with Tamil Nadu Dairy Development Corporation and through tie-up arrangements with various milk supply unions, finance was extended to individual dairy farmers as well as to milk co-operative societies. Other schemes financed by the Bank include tobacco cultivation and construction of barns in Karnataka, development of wool in Gujarat, purchase of power threshers in Nagpur, tractors and accessories under IDA scheme in Punjab and Karnataka and purchase of shares by sugarcane growers in a co-operative sugar factory in Andhra Pradesh. The 'area approach' to farm finance was pursued vigorously.

7. Advances to small scale industries continued to grow including lendings to engineers under the technocrat scheme. Total lendings to small scale units rose by Rs 200 lakhs or 15.2 per cent against Rs 71 lakhs or 5.7 per cent in the previous year.

8. An impressive rise of Rs 147 lakhs was witnessed in lendings to transport operators. Total advances to this sector touched the Rs 2.5 crore mark. Number of lending accounts rose two-fold to 1,200.

9. Notable progress was also registered in extending credit to retail traders and the professionals and self-employed. Advances to this group as a whole rose by Rs 227 lakhs or 71 per cent against only Rs 58 lakhs or 22 per cent in 1972. The number of lending accounts doubled to reach 11,100. Almost all the branches improved their advances to this category of borrowers.

10. A scheme was launched last year to induce young doctors to set up practice in rural and semi-urban areas. Need-based finance is provided to such doctors for setting up a clinic, buying surgical, laboratory and other equipments and furniture. A special feature of the scheme is that a doctor's living expenses for the first three months are taken care of. Repayment will be in convenient instalments spread over a maximum period of 40 months.

11. A 'Small Business Aid Agency' has been set up initially at Madras, to exclusively handle small business relating to the priority and hitherto neglected sectors. The Agency is well equipped with field staff to handle pre-sanction inspection, follow up and recovery.

12. Lendings under the Differential Interest Rate Scheme picked up in the course of the year. Amount outstanding as of end 1973 was Rs 5.1 lakhs. Since then it has improved to Rs 7 lakhs. We are intensifying our efforts to increase advances under this scheme.

13. The Bank continued to lay emphasis on financing the export sector. During 1973, nearly one-eighth of incremental lendings was diverted to this sector raising it from Rs 7½ crores to

Indian Overseas Bank, Madras

Balance Sheet as at 31st December 1973

Previous Year	CAPITAL AND LIABILITIES			Rs. P.
Rs.				
2,00,00,000	1.	Capital		2,00,00,000.00
41,33,832	2.	Reserve Fund and Other Reserves		55,06,831.68
1,50,44,30,295	3.	Deposits and Other Accounts		2,09,70,36,800.78
2,63,30,434	4.	Borrowings from Other Banking Companies, Agents, etc.		7,73,77,950.28
2,36,65,637	5.	Bills Payable		3,32,19,123.30
13,25,64,378	3.	Bills for Collection Being Bills Receivable — As per Contra		15,23,71,515.79
94,83,079	7.	Other Liabilities		1,11,38,890.07
18,84,24,573	8.	Acceptances, Endorsements and Other Obligations — As per Contra		27,34,48,426.37
	9.	**Profit and Loss Account:**		
37,12,254		Profit for the year ended 31-12-1973	66,08,334.75	
		Less: Amount transferred to Reserve Fund	13,50,000.00	
			52,58,334.75	
	7,50,000			
		Bonus to Staff for the year	42,54,004.96	
	28,43,265			
35,93,265			56,04,004.96	
1,18,989				10,04,329.79
1,99,91,51,217				2,67,11,03,868.06

Previous Year	PROPERTY AND ASSETS			Rs. P.
Rs.				
11,87,55,349	1.	Cash (Including balances with Reserve Bank of India and State Bank of India)		16,07,85,475.23
9,03,03,985	2.	Balances with Other Banks		3,36,26,643.78
2,21,62,500	3.	Money at Call and Short Notice		90,06,289.07
53,55,84,020	4.	Investments		61,02,79,055.97
86,42,17,605	5.	Advances		1,37,37,10,842.24
13,25,64,378	6.	Bills Receivable Being Bills for Collection — As per Contra		15,23,71,515.79
18,84,24,573	7.	Constituents' Liabilities for Acceptances, Endorsements and Other Obligations — Per Contra		27,34,48,426.37
90,63,316	8.	(a) Premises		92,51,315.15
—		(b) Buildings under Construction		1,29,938.89
1,01,81,752	9.	Furniture and Fixtures		1,33,90,516.57
2,77,99,058	10.	Other Assets		3,50,07,452.55
94,681	11.	Non-Banking Assets required in satisfaction of claims		96,396.45
Nil	12.	Profit and Loss Account		Nil
1,99,91,51,217				2,67,11,03,868.06

Rs 13 crores. It has picked up further momentum during the first quarter of 1974. Cashew, tobacco, sea-foods, coir and coir goods, tea, spices, textiles (including handloom goods), engineering items and leather and leather goods are among the wide list of export products financed by the Bank.

14. The Bank opened 54 new branches during 1973, the highest so far for any year. Twenty-nine of these are in rural and semi-urban centres, 14 in urban and 11 in metropolitan locations. State-wise, 9 are in Tamil Nadu, 7 in Andhra Pradesh, 6 each in Gujarat, Kerala and Uttar Pradesh, 5 in Punjab, 3 each in Maharashtra and Karnataka and 2 each in Delhi, Rajasthan and Haryana and one each in West Bengal, Madhya Pradesh and Bihar. In the last two States IOB extended its operations for the first time. Six branches were opened in lead districts raising the number of branches in the lead districts to 98 or 26 per cent of the Bank's branch network. Besides the new branches, extension counters were opened in six institutions. At the end of the year, the Bank had 384 branches and 15 extension counters in India covering 14 States and 4 Union Territories. It is significant to note that out of 189 branches opened since nationalisation 91 are located in unbanked centres.

15. In discharging its responsibilities under the lead bank scheme IOB turned its attention last year to the major task of identifying credit gaps and formulating specific programmes to bridge such gaps. The Co-ordination and Consultative Committees which have been set up in all the lead districts are functioning actively.

16. Inadequate manpower of requisite experience and training is a major constraint to business growth in its diverse and newer manifestations. IOB has continued to take special interest to quicken the process of recruitment, to accelerate promotions and to re-design and enlarge training programmes which have started yielding results.

17. A determined effort was made last year to reduce significantly the backlog in training. The expansion of training facilities is reflected in the number of courses conducted at the Bank's College and regional training centres — 19 courses covered 360 officers and 36 courses took care of 738 clerks against only 14 courses for 215 officers and 19 courses for 548 clerks in 1972. For the first time programmes were specially designed and conducted for rural Branch Managers. The duration of induction programmes was reduced to cope with the fast pace of recruitment. Besides the Bank's College at Madras, training programmes were conducted at Coimbatore, Madurai, Bangalore, Calcutta, Ahmedabad, Bombay and New Delhi.

18. To supplement the internal training programmes, the Bank sponsored 85 officers for various courses/seminars conducted by specialised institutions.

19. Last year we took a major step to reorganise the Bank's administrative and organisational structure by creating seven regions. The new system is working satisfactorily. Another important step taken was the introduction of business planning which covers all aspects of performance: deposits, advances, earnings, expenditure control, profits, manpower and other inputs.

20. To facilitate the use of Hindi in correspondence, forms, documents, literature, etc, a Hindi Cell has been created at the Central office. A similar Cell will be set up shortly at the Delhi Regional Office to cover the Hindi States including Uttar Pradesh, Haryana, Madhya Pradesh, etc.

21. The Bank's overseas branches registered good progress both in business and profits.

22. The United Asian Bank Berhad, promoted jointly by three nationalised banks, including IOB, to take over their branches in Malaysia, commenced functioning at Kuala Lumpur on May 26, 1973.

23. To conform to the banking law in Thailand, IOB's Bangkok branch was handed over on January 1, 1974 to the Bharat Overseas Bank Limited, a scheduled bank established in the joint sector at Madras on October 26, 1973 We have a 30 per cent interest in the capital of the new bank, the balance of 70 per cent contributed by six private sector banks.

24. On October 1, 1973, Shri A M Kadhiresan took over as Chairman and Managing Director of the Bank upon the retirement of Shri R N Chettur. The Board wishes to place on record its deep appreciation of the services rendered by Shri R N Chettur during his tenure. Shri S V Sundaram has been elevated to the position of General Manager.

25. In pursuance of clause 3 sub-clauses (c) to (f) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the terms of six directors of the Bank were extended for a further period commencing from February 7, 1974 and ending on December 10, 1975. Shri M G Balasubramanian, Director, representing the Department of Banking, resigned from the Board with effect from July 6, 1973. The Board wishes to place on record its deep appreciation of his wise counsel and valuable guidance as director. Shri K P Geethakrishnan of the Department of Banking joined the Board in his place.

26. Finally, we would like to thank the members of the staff, at all levels, for the enthusiastic role played by them in making possible the creditable overall performance of the Bank.

For and on behalf of the Board of Directors.

A M KADHIRESAN

Chairman and Managing Director

Madras
25th May, 1974

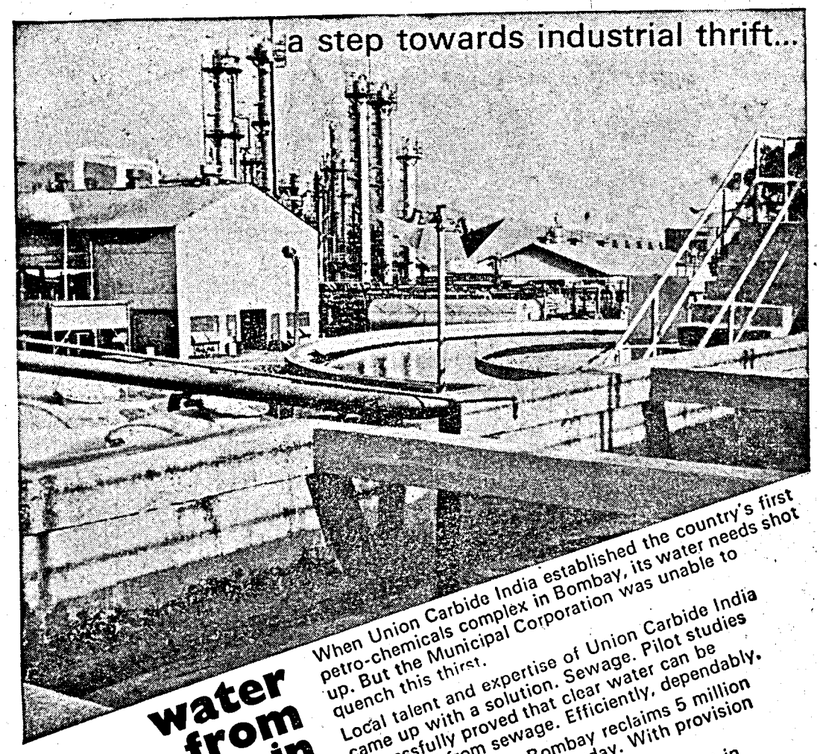
TAMIL NADU ELECTRICITY BOARD

Corrigendum to Global Tender Notice No. IDA/TNEB/4 for the supply of "Transmission Line Towers" for E.H.T. lines.

The due date and time for submission of tenders against Tender Inquiry No. IDA/TNEB/4 is extended upto 12 Noon Indian Standard Time on 20th June 1974. The tenders will be opened at 3.30 P.M. Indian Standard Time on 20th June 1974.

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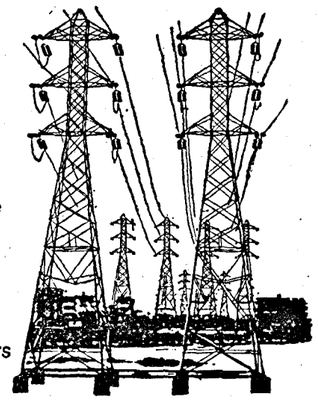
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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol IX No 24 June 15, 1974

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Money Delusion

AFTER fiddling for more than two years, the government is apparently awakening to the need to do something about the inflation. However, all semblance of an overall economic policy having disappeared in the meantime, the partial measures now being contemplated are likely to further aggravate the distortions in the economy. The gross inequity of a wage freeze when non-wage incomes have not only not been curbed but have been deliberately promoted by government policy has been commented on in these columns ("The Dishonesty of It All", June 1). The government's other hang-up is apparently money supply; the attempt seems to be to keep down the rate of expansion of money supply to some arbitrary figure, no matter how this is achieved.

The total absence of any continuity in the government's economic thinking is brought out by the sharp contrast between the current preoccupation with checking the growth of money supply and the actual trend in money supply in just the last few months. In the first two months of the current financial year, upto the end of May, money supply expanded by as much as Rs 524 crores or nearly 5 per cent against an expansion of Rs 367 crores or less than 4 per cent in the comparable period of 1973-74. The composition of this expansion is equally significant. Net bank credit to the government increased by Rs 355 crores against an increase of Rs 547 crores during April-May 1973. On the other hand, there has been a phenomenal growth of as much as Rs 424 crores in total bank credit to the commercial sector which is in sharp contrast with the increase of only Rs 91 crores in April-May 1973. What is more, this runaway credit creation for the benefit of the commercial sector has been largely financed by the Reserve Bank. The commercial banks' outstanding borrowings from the Reserve Bank total Rs 407 crores, bills discounted Rs 268 crores and the shortfall in the banks' statutory minimum balances with the Reserve Bank Rs 207 crores — all together making a continued contribution of Rs 882 crores by the Reserve Bank to credit extended to the commercial sector. True, these are outstanding balances and not additions during the current financial year; but the Reserve Bank had aimed to restrict credit expansion in the current slack season to one-third the growth in banks' deposits whereas so far the increase in credit works out to nearly twice the rise in deposits.

In the meanwhile, the price situation continues to get worse. The index number of wholesale prices (base: 1961-62 = 100) had touched 298.5 on May 25, showing a rise of nearly 16 points or 5.5 per cent over the end-March level. The index for food articles has over the same period shown a rise of 24 points or 7.4 per cent. The All-India Consumer Price Index (base: 1960 = 100) had risen to 344 in April 1974 from 316 in December 1973. The index has risen by 45 per cent in the last two years and by 28 per cent in the last one year.

There are two aspects of the current economic situation which have to be kept in mind while assessing the preoccupation with curbing the growth of money supply — first, the failure of public distribution of essential commodities, particularly foodgrains; and, second, the stagnation and even decline of public investment. Despite increase in the output of foodgrains, procurement for public distribution has been tapering off. Out of the rabi output of 1973, the government could procure only 5 mn tonnes against the original target of 8 mn tonnes. In the current rabi season, procurement of wheat so far is reported to be only about 1 mn tonnes against the government's expectation of 5.5 mn tonnes and against the procurement of 3.3 mn tonnes during the corresponding period last year. Procurement of wheat this year cannot possibly exceed one-half of the target. In the last kharif season, again, procurement of rice was only 3.8 mn tonnes against the target of 5 mn tonnes and of coarse grains 0.4 mn tonnes against the target of 1.65 mn tonnes. As a result, despite the Russian wheat loan of 2 mn tonnes, the stock of wheat with the government has declined to less than a million tonnes compared to a stock of a little over 2 mn tonnes at about the same time last year. Even on the basis of an offtake of just 7 lakh tonnes a month — the average for 1973 — the public distribution system will need about 7 mn tonnes of wheat till next March. The government is reported to be negotiating for the import of as much as 5 mn tonnes of wheat at a total cost of Rs 784 crores. This order of expenditure of foreign exchange represents the cost of the government's failure to enforce an effective procurement policy. State trading in foodgrains has if anything operated in a manner inimical to the objective of price stability. The so-called procurement prices have in effect served as high

and continuously rising support prices for the benefit of the rich farmers and traders.

The impact of the stagnation of investment for almost a decade is seen in the worsening shortages of a series of industrial commodities like coal, steel, non-ferrous metals, basic and intermediate chemicals, dyes, cement, commercial vehicles and paper and paper products as well as rail transport and power. Particularly, the dismal performance of the four key sectors of the economy — railways, power, coal and steel — is the result of low investment. The public sector Plan outlays had reached Rs 2,291 crores in 1965-66 and are placed at Rs 4,844 crores in 1974-75, showing a rise of 111 per cent; during the same period, however, the wholesale price index would have risen by over 130 per cent, from 132 to 308. Even if, instead of the index of wholesale prices, some more appropriate index of investment cost is considered, the position would not turn out to be very different. Besides, the proposed level of the Plan outlay in 1974-75 is unlikely to materialise. There are already reports that the government is cutting Plan outlay this year by about Rs 150 to 200 crores. The stagnation of public sector investment in real terms has occurred despite the mobilisation of very large additional resources by the government. In other words, the proportion of total government expenditure going for developmental or physical assets creation purposes has been continuously shrinking. The share of development expenditure in the total expenditure of the Central government has dwindled from 59.4 per cent in 1964-65 to 46 per cent in 1973-74. Capital formation expenditure of the Central government has similarly declined from around 48 per cent of total expenditure in 1964-65 to 33 per cent in 1973-74.

Even for financing the reduced level of investment, government has not only mobilised substantial additional resources but also indulged in a large amount of deficit spending. In terms of net bank credit to the government, deficit spending had amounted to Rs 108 crores in 1969-70, but rose to Rs 515 crores in 1970-71, Rs 1,147 crores in 1971-72 and Rs 1,307 crores in 1972-73; in 1973-74 it was Rs 966 crores. Had the government deployed the additional funds thus raised for investment according to planned programmes, the production potential in different sectors of the economy would have been much larger than it is today. Thus it is not deficit financing *per se* that has been responsible for the inflation, but rather the squandering away of the additional resources on current consumption. Backed by public distribution arrangements for key wage goods, the government could have used the higher level of budgetary operations sustained by expansion of money supply for expanding employment and the production potential of the economy. The same could be said of expansion of credit to the commercial sector. It is not that the level of such credit has been in itself high, but that it has been misused for unproductive purposes, particularly for financing larger inventory holdings by the bigger borrowers. Excessive inventory holdings are found profitable because of the still relatively low interest rates charged on bank loans.

Such being the origins of the current economic crisis, tampering with money supply would hardly work and, if it leads to a further cut in developmental outlays, could make the situation palpably worse. It is worth recalling how, faced with the drought of 1966-67, the government had cut the public sector annual Plan outlay from Rs 2,291 crores in 1965-66 to Rs 2,165 crores in 1966-67 and further to Rs 2,085 crores in 1967-68. In real terms, the annual Plan outlay has never recovered since then, except perhaps temporarily in 1972-73. The current ills of the economy are very largely attributable to the government's decision to cut back investment in those years. The story would be quite different if the expansion of money supply could be achieved through larger savings in the Central and state budgets. Of course, this has been seldom, if ever, possible. For instance, the Central budget for 1973-74 had placed the net savings of the Central government and its departmental undertakings at Rs 846 crores; however, the revised estimates place them at Rs 424 crores, or just one-half of the original estimate. To put it differently, if the Central and state governments make a 10 per cent cut in their non-Plan expenditure there would be a net saving of as much as Rs 800 crores.

An effective policy to check inflation will therefore have to be very much more complex than one which aims at no more than restricting the expansion of money supply in the current year to some arbitrary rate such as, say, 5 per cent. It will have to encompass a cut in the non-developmental expenditure of the government together with mobilisation of additional resources; raising of the level of investment, particularly public sector investment, and allocation of investment according to a more rigorous scheme of priorities than has been attempted for many years now; higher interest rates on bank loans to the commercial sector together with denial of bank funds for stock-building; and, finally, expansion of the scale of public distribution of essential wage goods, especially foodgrains.

DIR

Perks in Danger

THE Defence of India Rules have been in force almost continuously for the last decade and a half. During most of this period they have been used not so much for the defence of the country against external foes as for the defence of the government against internal political opposition to it. It used to be the government's pretence at one time that the DIR — as well as the Preventive Detention Act and its successor, the Maintenance of Internal Security Act — were used only against political elements which explicitly rejected the parliamentary system and worked for the violent overthrow of the government and the existing political and economic order. Of course, this left enough room for misuse of the virtually unlimited police powers conferred on the government by the DIR and preventive detention laws. All that was required was to label an individual or a group as extremist or 'Naxalite' to justify arrest, indefinite imprisonment, torture and even physical liquidation. The ruthlessness with which the government has used its powers can be seen from the number of persons killed supposedly in 'encounters' with the police and of political prisoners who have been rotting in jails for the last last many years.

Now even the pretence that the DIR and the preventive detention laws are used only against those who do not abide by the rules of parliamentary politics is becoming difficult to maintain. They are being increasingly used to suppress activities which are accepted as a legitimate part of the type of political system that we are supposed to have in this country. They have been used to put down trade union activity of the most unexceptionable variety and to smother popular protest of the kind on which so-called

democracies the world over pride themselves. Last month's railway strike saw the use of the DIR and the MISA on a hitherto unprecedented scale to crush what was a perfectly legitimate trade union action by a section of government employees. In Bihar, to take another kind of example, Socialist party leaders, George Fernandes and Raj Narain, have been served with externment orders under the DIR which forbid them from entering the state. The government apparently feared that their presence would have strengthened the mass movement against the Congress ministry in the state. The irony is that virtually all the charges levelled against the Gafoor Ministry by the opposition parties who are part of this movement used to be voiced till the other day by members of the Congress party itself. Only weeks ago the most insistent demands for the removal of the Chief Minister came from within the ranks of ruling party MLAs. In any case, neither George Fernandes nor Raj Narain can be accused of working for violent overthrow of the political system; and as for Jayaprakash Narayan, his contribution to the agitation will in the end be seen to have only blunted the edge of mass dissatisfaction with the government and the ruling party.

The manner in which the government has recently used its powers under the DIR and the MISA shows that increasingly *all* opposition is becoming intolerable to it. This has been the experience also in many other countries where too government which started with elaborate democratic facades eventually showed their true authoritarian faces. Distinguishing between legitimate opposition and opposition of the illegitimate kind is a luxury indulged in only so long as opposition of the former variety is seen to pose no threat to the regime. Once the regime is seriously threatened by mass discontent, all opposition is tarred with the same brush. The opposition parties in India which have come to regard the perks of the parliamentary system as immutable will do well to remember this.

Vanaspati

Writing on the Wall

THE agitation within the government over the price of vanaspati would not call for any comment if it did not bring out so well how the government has reduced itself to a position of irrelevance in matters relating to the economy. The question of the price of vanaspati was considered for weeks on end at the highest levels in the government — including the Food and Agriculture Ministry and the Economic Affairs and Political Affairs Committees of the Cabinet — before the decision, announced on Friday, to raise the controlled price was taken. However, for all the effect that this is going to have on the actual price and availability of vanaspati in the market, the government might well have saved itself the trouble.

The vanaspati industry's case for a higher price was a simple one. The price of vanaspati had to be high enough to cover the cost of the industry's raw materials — that is, edible oils, mainly groundnut oil — and processing costs and to provide a reasonable margin of profit. In any case, a situation — such as had come to prevail recently — in which the controlled price of vanaspati was lower than the price of groundnut oil was an obviously untenable one. In the past such a situation could be sustained because vanaspati manufacture used to be subsidised through the supply of low-priced imported oils. Since this source of subsidy has been now closed, the price of vanaspati had to be more in step with that of edible oils. To press home the point the vanaspati industry — including, significantly, a few units taken over by the government — pretended to stop production.

Faced with this situation the government had a choice between removing the price control on vanaspati and allowing a pretty whopping increase in the controlled price. It has opted for the latter, the price increase allowed ranging from Rs 180 to Rs 220 per quintal for the different zones. Given the steep rise in the prices of edible oils recently, this may seem altogether reasonable. The catch, however, is that the vanaspati manufacturers exercise no small influence over the price of edible oils. Quite apart from the fact that they are a major consumer of edible oils, they are individually and collectively major 'operators' in the market for these oils. Indeed, even the Tariff Commission has acknowledged that profits in the vanaspati industry came essentially from these 'operations' in edible oils. With the edible oils-vanaspati price link now officially accepted, vanaspati manufacturers have every incentive to continuously bid up the price of oils. The writing on the wall for consumers of edible oils as well as of vanaspati is thus clear.

It has been claimed in all innocence on behalf of the vanaspati industry that the industry currently has no more than 15 days' stocks of oils. This is presumably to make out a case that should the price of oils rise further, even the revised controlled prices of vanaspati will become uneconomical. However, their physical stocks of oils hardly reflect the vanaspati manufacturers' command over oil supplies which consist as much of stocks bought and held by various nominees on their behalf as well as of forward positions acquired by them. The prevalent prices of oil at any point of time, especially with the progress of the oil season, may bear little relationship to the actual cost of oils to the vanaspati manufacturers, especially the larger ones with enough resources of their own and sufficient access to bank funds to 'play' the oils market.

Fertiliser Prices

Sauce for Industry, Sauce for the Farmer

COMPARED to the total value of farm output in the country, the turnover of the fertiliser industry, even at the higher prices announced earlier this month, is a minuscule percentage. Other things remaining the same, the rise in fertiliser prices should not therefore have much adverse impact on agricultural activity. In any case, the overwhelming majority of farmers lack the resources to apply chemical fertilisers to their land. Perhaps not more than 5 per cent of the country's farming community, and certainly not more than 20 per cent of the total arable land, are currently drawn into the orbit of the New Technology. For these farmers and for such lands, the rise in fertiliser prices will, of course, have a somewhat greater consequence; but even here, it is easy to exaggerate the effects of the price rise. Data on the dosage of fertilisers, recommended or actually applied, indicate that crop for crop the unit cost of production on account of fertilisers could hardly exceed 5 per cent of the total. The increase in fertiliser prices should not exactly smother further agricultural development.

Anything which reduces the element of subsidy, whether hidden or overt, to the affluent farmers is welcome. Two caveats, however, have to be entered. First, because of the

sweeping nature of the price rise, a fairly large number of fertiliser producing units will now enjoy a widening of profit margins. The oil crisis has already been made the general alibi for raising the prices of fertilisers across-the-board, though it would be difficult to establish a precise quantitative relationship between, for example, the increase in price of such intermediate petro-chemical products as naphtha and the announced rise in fertilisers. As in all such cases, the price increase for each of the specified fertilisers has evidently been dictated by the cost structure of the least efficient unit. This is, in fact, one of the worst aspects of the 'cost plus' principle. The administrative decision to allow the general price increase, without even the face-saving device of referring the issue to either the Tariff Commission or the Bureau of Industrial Costs and Prices, will make life that much more cushy for a large number of units, both private and government, which in the past, too, have seldom bothered to take the minimum measures for efficient plant management.

The other implication of the decision to raise fertiliser prices is still more ominous. In normal course the increase in fertiliser prices should not lead to any rise in price of farm products: the bulk of farmers in any event do not use chemical fertilisers and even for those who use them, the impact of the price rise on their costs need be only marginal. Moreover, when one compares the trend in the open market prices and the procurement prices of agricultural products with the trend in fertiliser prices, it is seen that, over the past five years, the rise in agricultural prices has been much sharper. But such arguments hardly count. Given the immense power currently enjoyed by the entrenched farm lobby, the increase in fertiliser prices will now be made the ground for demanding a further rise in all farm prices across the board. The demand is likely to be pressed for even the 1973-74 harvest which is already gathered — as if the increase in fertiliser prices could have retrospectively affected the cost of cultivation of the harvested crop. And as for the coming kharif and rabi crops, the rise in fertiliser prices will provide an excellent alibi to the farm lobby for maintaining the pressure to raise prices. Procurement prices for foodgrains may hence be expected to climb even further.

An economic culture would seem to be firmly established. For every little difficulty, whether in a government undertaking or in a private unit, the instinctive response will be to press for a rise in product prices and thus pass the incidence of rising costs on to the consumers or users of the products. The adoption of such a line of least resistance will inevitably lead to a worsening of the inflation in the country. The rise in fertiliser prices could not have come at a more opportune moment as far as the farm lobby is concerned. It has got a made-to-order explanation for its failure to fulfil its commitment to supply wheat to the government; it can now refurbish its arguments in favour of a sustained, continuous rise in farm prices. Its bluff could have been called, but it knows that none in government would ever dare get positioned in any antagonistic contradiction with it.

Opposition Parties

Slowly Paralysed

A Correspondent writes:

THE Supreme Court has stuck to a literal interpretation of Article 71(4) of the Constitution. It was not expected to bother, and it has not bothered, over such issues as whether the spirit of the Constitution will survive if — following the logic of its judgment — neither the Lok Sabha nor the majority of the state Assemblies were to be there and yet the administration of the day went ahead with the ritual of a Presidential election by the rump of an electorate. All that the Supreme Court has said is that the election of the next President must be completed before the term of the present incumbent is over. It is little use to feel exasperated over the Court's decision. Within the limits of the Constitution, the Court has given its judgment by a strict interpretation of the law.

Clearly, the matter belongs more to the political arena than to the legal and constitutional one. If there are flaws in the system of legality and the Constitution, these can be redressed only *via* the political process. The country is facing the prospect of a breakdown of the legislative and parliamentary modalities. Given the crushing majority of the Congress party in Parliament and in most of the state Assemblies, just anything can now be turned into law. Even if fresh elections were to take place here and there, the vast resources commanded by the ruling party, combined with the free use of corrupt practices, might still ensure a comfortable majority for it; and this, despite large-scale mass discontent. In case the party has strong ground for apprehending that the majority might elude it and even corrupt manoeuvres would not help, it could simply decide not to hold any elections or as in Gujarat to postpone them indefinitely. In view of the Supreme Court's stand, the opposition will be left completely stranded, legally as well as constitutionally, when confronted with such tactics. And an impasse will be reached. The present frustration of the opposition stems from the realisation that there is hardly any way out of this predicament immediately. Distress may be widespread in the country; people may be aghast at the near-authoritarian traits displayed by the ruling party; allegations may be made, and openly, about corrupt practices to which recourse is supposedly taken by it; food may be scarce; prices may be spiralling; and yet, there may not be any legal or constitutional device through which the opposition could seek to retrieve the situation. Where this or that opposition group stands a chance to win the elections, these may not be held.

What Jayaprakash Narayan is attempting in Bihar is in the nature of a desperate groping for a way out of this claustrophobic milieu: an attempt to go off the beaten track of the parliamentary system and see whether, through more or less peaceful means, it is possible to force the government to temporise its authoritarianism. This, however, seems to be a *cul de sac;* what the young insurgents in Gujarat were able to achieve, their counterparts in Bihar plainly have not succeeded in repeating. In the other states, the possibility of success is even more remote. In Bihar, one has witnessed the bizarre spectacle of the opposition parties themselves splintering the moment the demand for resignation of their members from the state legislature has been pressed. With the experience of Gujarat behind it, the government too is equally determined not to allow any re-enactment of the drama. The military, para-military, and police forces will therefore ensure that the so-called mass agitation in Bihar does not get out of hand, irrespective of the magnitude of discontent pervading the length and breadth of the state.

In case Jayaprakash Narayan's ambition to extend the Gujarat pattern is

still-born, an alternative strategy could be an initiative from the Left. This could take two forms. The first would be to foment a Naxalite type of mass insurgence. But, as should have been amply demonstrated by now, in view of the heterogeneity of the Indian polity, a Naxalbari kind of violent uprising can have only a limited run; any chance of its catching on is at the moment as good as negligible. A more modest variant could be a season of strikes and agitations paralysing the administration. As the experience of the railway strike bears out, even here the government will be in a position to worst the opposition parties, particularly since the latter are not quite united among themselves and the economic wherewithal for laying a long siege against the authorities does not exist. As long as the Leftists are divided in umpteen groups, the government will also find it possible to play some groups against others and get away with it: this would be so even were the CPI not around.

If the government is incompetent and corrupt and mass discontent is pervasive, at the other end the opposition too has proved itself to be thoroughly incapable of taking advantage of the situation. This failure can be accounted for by the fact that, apart from the objective circumstances, certain subjective factors are at work. In almost each of the parties on the Left, dynamism is a thing of the past. The leadership is old and tired and reluctant to think along new lines. Inevitably, the emphasis is on shuffling and reshuffling a set of strategies evolved a long time ago. Precisely because these strategies are by now shop-worn, the government feels hardly stretched while combating the onslaughts launched by the opposition parties. The leaders of these parties have lost their credibility; but they are reluctant to step down and allow younger elements to take over. The consequence is a certain corrosive dissidence and futile revolt. Witness the convulsions currently overwhelming the CPM and the open polemics among different factions of the Socialist Party, the SSP, and similar other groups. A demoralised opposition can scarcely be a bulwark against the emerging authoritarianism in the system.

National Rayon

Behind the Proxy War

WHEN the Unit Trust of India (UTI) went in for National Rayon shares, it could not have known what it was taking on. Its role as a large shareholder acquired public significance when the LIC, another major institutional holder, sold a large block of preference shares to the Kapadias, who had made a speculative thrust into National Rayon. Whatever the LIC's consideration for selling the preference shares, which have voting rights on par with ordinary shares, the consequences of the deal continue to affect the affairs of the company. Some idea of the UTI's problem can be had from the following assessment of Kapadias by the Company Law Board: "It would be a grave risk to allow a company of the importance of National Rayon to pass into their [Kapadias] hands." The Company Law Board expressed this view after noting that the performance of Kapadia managements in other companies did not inspire confidence.

National Rayon's eleven-member board has five Kapadia directors. There are two directors representing the government and one each on behalf of the UTI and the LIC. Rasiklal Chinai, whom the Kapadias tried to oust from National Rayon, is a minority director. Naval Tata is the non-partisan chairman of the board. The Kapadias agreed to this composition of the board at the instance of T A Pai, the then chairman of the LIC, who sought to mitigate the damage done by his predecessor in the LIC, through an arrangement that kept the Kapadias in a minority.

Clearly, the arrangement could not be expected to last forever. Sure enough, last year the Kapadias sought to expand the board by bringing in seven of their nominees. The move was blocked by the Company Law Board. However, the Kapadias still have a number of options. First, they could strike a deal with Rasik Chinai. If he vacates his seat on the board in favour of the Kapadias, the majority would be theirs. Second, they could try to secure withdrawal of the government directors from the board. And third, they could try to worst the UTI in a proxy war. The options are not mutually exclusive and are apparently being pursued with zeal. With the proximity of the annual general meeting of the company on June 29, the emphasis just now is on bagging proxies. No effort in being spared, for what is at stake is control over a segment of the prized synthetic fibre industry whose products command a premium that runs into a couple of crores of rupees annually.

The new element in the situation is that Rasiklal Chinai has of late been in two minds about the usefulness of his continuing on the board. This opens the way for the Kapadias to exercise option number one. Nor, despite the views of the Company Law Board, can option number two be altogether disregarded, given the Kapadias' relationship with the most influential entrepreneur in the automobile industry. The relationship is said to be currently under some strain, but the strain can be eased. And once that happens everything is possible.

The UTI's decision to put up its nominees against the two retiring Kapadia directors and Rasiklal Chinai should be seen against this background. When the Kapadias sought to induct seven additional members into the board last year, the UTI had secured 1,75,000 votes (including 30,000 preference votes) and the Kapadias 2,10,000 votes (including 92,000 preference votes). Equity votes polled by the UTI thus outnumbered those polled by the Kapadias by 1,45,000 to 1,17,500. The total votes cast numbered around 3,85,000 out of the total of 5,74,000, including 1,74,000 preference shares. In other words, nearly 2,00,000 shares did not participate in the poll last year. If, of these, holders of, say, 1,00,000 shares are not interested one way or the other, the Kapadias and the Unit Trust will in effect be wooing the holders of the remaining 1,00,000 shares.

Like the UTI, the Kapadias too have been in the market for National Rayon shares. The shares have climbed a high and marketmen, knowing that their price will slip after June 29, are turning bears. Right now National Rayon has attracted backwardation charges, reflecting short sales. This does not mean that there is no scope for collection of proxies. The UTI is stated to be confident of polling at least one-third of the total voting strength, largely through equity shares. Nor are the Kapadias, and their agents, resting on their laurels. A premium for proxies is being paid outside the market, over and above the carry forward charge.

There remains the small shareholer who is baffled by all this proxy game. It is this fragmented body of shareholders who can tilt the balance; but, alas, they know not their strength and appear to be resigned to the fact that, the Company Law Board notwithstanding, the fate of National Rayon depends on the rapport speculators establish with fixers in the government and the Congress party.

A Shifting Focus

Romesh Thapar

THE post-parliamentary session holiday-season is ending, although not a few are trying to extend their pleasures by pretending they are on work. Both politician and bureaucrat are, however, anxious to keep in touch with the power centre that is Delhi — if only because there is confusion about policies, and strong rumours concerning purges in the ruling party and shake-ups in its leadership. This is usual for this lazy time of the year, and especially so in 1974 with the Presidential election due in August.

Probably the Prime Minister will hold her hand until the Presidential nominations are out of the way. The Supreme Court opinion on the legality of the election in the absence of certain State Assemblies was commonsensical. Any other way, given the politicians of today, we would never have an intact electoral college. Now, the thorny question of who stands as the candidate of the ruling party is to the fore.

Time to Consolidate

We should remember that the election is taking place at a rather critical moment. Politically and economically, the Prime Minister needs to consolidate her position for the general elections which are not so far away. The rupture with the Left, following the crack-down on the striking railway workers, is very much a fact of political life, despite the attempts to paper it over. So, too, the new honeymoon with private enterprise since political interference and Leftist trade union activity have wrecked the public sector. The choice of presidential candidate is dependent on many solid considerations; or so we hope.

The doubt arises because of two parallel developments. Political lobbyists, working for various groups of ministers, seem to have been slowly 'gheraoed' to support, believe it or not, the frail and crumbling figure of Fakhruddin Ali Ahmed. Presumably, this selection is intended to satiate the ambitions (sic!) of the Muslims, and, of East India. Dubious as the choice is, the South in expected to acquiesce on the promise of the Vice-Presidentship. The second layer of speculation is the intense activity, covered and not-so-covered, of the present occupant of Rashtrapati Bhavan. Giri sees no reason why he cannot carry on. And the entire Opposition, in its present state of disarray, might agree. Then what? Another term?

Perhaps, it is too early to say that 'a situation' is developing around the Presidential election. Apart from candidatures, the first criticisms of the Supreme Court's opinion about the continuity of the electoral college suggest that, attempts will be made to dissolve some more Assemblies by August so as to create the basis for challenging the election. Bihar? Madhya Pradesh? Kerala? Assam? Between now and September is a period of serious and grave shortages. The Opposition needs to restore its 'initiatives'.

Too Much Sophistry

Meanwhile, we have developed a great deal of energy over Bhutto's refusal to meet with us following the nuclear test in Rajasthan. The exchange of letters amuses. So much argumentation, but the basic point is missed. After all, India's unilateral cease-fire following Pakistan's military disaster in Bangladesh proved that we did not seek the destruction of our neighbour — and what's more, public opinion supported the Prime Minister. The dismantling of the visible military confrontation between the two countries needs stressing. If the Arabs and Israel can begin this process, why not us? Bhutto needs more blunt treatment. Too much sophistry only blocks communication to the peoples of Pakistan.

As part of the game, the normalisation proceeds in Kashmir. Sheikh Abdullah is very much a part of India now, even down to the operators and fixers who surround him, never leaving his shadow, to the despair of genuine supporters. The arrangement with Abdullah on the delegation of power will have to be disciplined by the realities of the Indian federal polity; it cannot be something exclusive, only applicable to the Valley. In other words, the dialogue now joined with Abdullah cannot but have wider repercussions. And this is understood where understanding is needed.

Of course, all these carefully laid plans may well get out of hand if the food position and the supply of essentials continue to deteriorate. Bhutto may well be banking on some such complications for India. He has had a taste of the Qadiani riots in his own country. The trouble is that we are seldom masters in our own home. Too many influences are at play. And, alas, in India too many tasks are performed by too few people. A mistake here, and a mistake there, and we are in for the high jump.

When will the focus shift from political manipulation to this critical area?

June 10

LETTER TO EDITOR

Punjab Government and the Press

NIREEKSHAK, often well-informed and always bold, has been rather stingy in appreciating the generosity of the Punjab government to some correspondents based in Delhi ("Fourth Estate", April 27, p 673). He writes that "a few hand-picked correspondents have been allotted living accommodation in the estate at *nominal rent*" (emphasis added). This is not true. As the Punjab Minister of State for Public Works recently disclosed in the state assembly in reply to a question by S P Dang, CPI, these correspondents have been allotted accommodation at *government cost*. The beneficiaries of the Punjab government's munificence, named by the Minister, are the Special Correspondents of *Daily Tribune, Statesman, National Herald* and *Assam Tribune*, the Staff Correspondent of the UNI, the Staff Reporter of the PTI and the Editors of *Daily Ajit* and *Quami Ekta*. According to the Minister "no specific basis/grounds have been determined to allot residential accommodation to the journalists. Allotment is being done on the basis of the available accommodation in the Nabha Plot".

It may be added here that the buildings housing the offices of the *Times of India, National Herald, Patriot* and numerous other newspapers in Chandigarh are subsidised to the extent of about 50 per cent by the Punjab government here. The managements of these newspapers have closed their eyes to this fact because thereby they save a few hundred rupees per month.

NEWSMAN

Chandigarh

Despite Raw Material Shortages

Hansavivek

MOTOR INDUSTRIES COMPANY has completed construction of the first phase of its factory building at Nasik and is shifting machinery there from the rented premises in which it had been carrying on operations hitherto. Complete production of nozzles and nozzle holders at its own factory at Nasik is expected to start by the end of this year. The first lot of imported machinery was received and installed last year and substantial shipments are expected during 1974. The company allotted 375,000 bonus shares on a one-for-one basis in June 1973. A 'rights' issue of 95,588 shares at a premium of Rs 75 per share was made in the second half of 1973 to reduce the holding of Robert Bosch. Out of these, 48,000 shares were allotted to the five financial institutions on conversion of a part of the loan taken from them for financing the company's fifth expansion. The remaining 47,588 shares were issued to the existing Indian shareholders. The company has obtained a long-term loan of Rs 3 crores from ICICI, IDBI, IFCI, LIC and UTI through privately placed debentures. Irregular supplies of raw materials notwithstanding, MICO turned out good results for 1973. Net sales advanced by 21 per cent and profit-margins too edged up a little, although the wage bill in relation to sales was considerably higher. The ratio of inventories/sales was also higher compared to the previous year. Dividend, lowered from 17.5 per cent to 12 per cent, payable on the enlarged capital, required more but the earnings-cover was maintained at the last year's level. Exports more than doubled to Rs 363 lakhs (Rs 172 lakhs).

AHMEDABAD ADVANCE is commissioning its special alloy steels project in a phased manner and expects to complete it before the end of this year. The imported Sendzimir mill and some other indigenous equipment are either under installation or are undergoing trials, but there has been delay in the supply of 2 Hi/4 Hi rolling mill equipment from Metallurgical and Engineering Consultants (India) and Bharat Heavy Electricals. Meanwhile, the company's metals division has developed some new products which to some extent have helped in import substitution. The company has executed substantial orders for high carbon steel strips used for manufacture of various types of industrial blades such as hacksaws and bandsaws. The metals division has also developed cold rolled steel strips for the manufacture of razor blades. What is affecting the operations, however, is the shortage of raw materials. Chronic shortage of steel has been further accentuated by shortages of power, coal and non-availability of railway wagons for transport. Naval H Tata, chairman, envisages a bright future for both the metals division and the special alloys steel project, provided they are fed with adequate feedstock of hot rolled material. With bigger contribution from both the textiles and metals divisions, AA showed better results with higher sales and profit-margins. Net profit was lower than last year's because of tax liability. Cover for the unchanged 12 per cent distribution is therefore lower. The company fulfilled its export obligation and exports rose from Rs 15 lakhs to Rs 24 lakhs. Plant and machinery worth Rs 15 lakhs were installed last year.

TATA MILLS has been granted a licence for installation of 9,240 spindles for balancing purposes and is implementing the project, but its application for an industrial licence for 200 additional automatic looms is still under consideration by the government. Meanwhile, the Bondtex non-woven products of the company have made a new breakthrough in lapping material for printing machines. The inroads into applications in industrial filters has also continued, and the company has developed special filters for ultra-jet dust catchers and air filters for locomotives as import substitution. The sale of Bondtex material for use as fusible and non-fusible interlining has also increased. The company is developing new products to cater to the special needs of defence. With the favourable trading conditions and change in the product-mix, the company lifted its margins spectacularly as reflected in a seven-fold jump in gross profit following a less than 6 per cent rise in sales. Dividend, stepped up 6 points to 16 per cent, is covered over three times. It is proposed to make a 'rights' issue on a one-for-four basis at par to augment cash resources to the extent of about Rs 24 lakhs. A public issue of 8 per cent debentures (1983-85) of the nominal values of Rs 40 lakhs was made last year. Plant and machinery worth about Rs 53 lakhs was installed.

SVADESHI MILLS, which has completed 88 years of existence, is continuing the process of replacing old and worn out machinery. Plant and equipment of the approximate value of Rs 25 lakhs, including a 1,500 KVA transformer, was installed last year. Availability of cotton at reasonable prices and improved trading conditions enabled the company to lift its gross profit from a mere Rs 22 lakhs to Rs 127 lakhs last year, although net sales were only marginally higher. With a larger cash generation, the total debt of the company could be reduced by Rs 120 lakhs to Rs 279 lakhs over the year. Although taxation drained away Rs 55 lakhs against nil in the previous year, net profit amounted to Rs 41 lakhs against a loss of Rs 8 lakhs, and the dividend stepped up 5 points to 20 per cent is adequately covered. The company performed well on the export front too and the value of exports reached a new high of Rs 133 lakhs as compared to Rs 71 lakhs for the previous year.

NALANDA CERAMICS AND INDUSTRIES is establishing a project at Getalsud, near Ranchi in Bihar, for production of decorated porcelain tableware with a capacity of 3,000 tonnes per annum. It has undertaken to export 30 per cent of the production. Technical collaboration agreements have been entered into with two Japanese firms and with India Potteries of Calcutta. IP will take over from the foreign collaborators when they leave after the initial period. The project, estimated to cost Rs 255 lakhs, is proposed to be financed by share capital (Rs 100 lakhs) and long-term loans from IDBI, IFCI, SBI and BSFC (Rs 155 lakhs). The subscription list for 4,37,500 equity shares of Rs 10 each and 18,000 9.5 per cent redeemable cumulative preference shares of Rs 100 each will open on June 17 and close on June 27 or earlier, but not earlier than June 19. The rate of dividend on preference shares is proposed to be increased to 9.8 per cent after obtaining approval of the shareholders and consent of the Controller of Capital Issues. D L Mazumdar is the chairman and S K

Ghosh, a ceramic technologist, is the managing director. The company has been promoted by a group of small-scale industrialists from Bihar and West Bengal. The management expects the company to start trial runs at the plant from November and go into commercial production from January 1975.

GOGTE STEELS will enter the capital market in July 1974 with a public issue of Rs 96.25 lakhs to finance its special and low alloy steels project. This will comprise 612,500 equity shares of Rs 10 each and 35,000 9.8 per cent cumulative redeemable preference shares of Rs 100 each. The company is being promoted by Gogte Minerals and Special Steels, The State Industrial Investment Corporation of Maharashtra is taking 26 per cent of the equity share capital. The total cost of the project is estimated at Rs 3.90 crores. This is proposed to be met by share capital (Rs 1.60 crores) and term loans from financial institutions (Rs 2.30 crores). The loan arrangements have been finalised. Technical consultants for the project are M N Dastur and Company who have prepared the project report and are responsible for the engineering and supervision of the project. Two 15-tonne electric arc furnaces and a continuous casting machine with an annual capacity of 42,000 tonnes are being installed. The plant will mainly produce medium carbon, high carbon, spring steel and other special quality steel billets. The addition of a wire rod mill to the above complex has been planned and the company has already received a letter of intent in this regard from the government. This therefore will be a complete steel works complex with steel making plant, continuous casting machine and rolling mill. Production of billets is expected to commence by the last quarter of this year. The project is situated at the MIDC Industrial Estate at Tarapur. Thus it is close to Bombay and Ahmedabad, the two main scrap collection centres in the country. Power, water and other infrastructural facilities are available at the Tarapur Industrial Estate.

STRAW PRODUCTS has produced encouraging working results for the year ended December 1973. Production, sales and profits have all moved up and the Directors have recommended a higher dividend of 12 per cent on equity shares against 10 per cent in the previous year. Production of paper, paper board and straw board was 40,741 tonnes as compared to 36,549 tonnes during the previous year, showing an increase of about 11 per cent. Sales have moved up by 34 per cent to Rs 12.61 crores from Rs 9.37 crores in the previous year. Profit before depreciation is Rs 1.83 crores against Rs 1.59 crores. After providing depreciation of Rs 1.24 crores against Rs 1.07 crores, profit amounts to Rs 59 lakhs against Rs 52 lakhs. Writing back Income Tax of Rs 1.7 lakhs and Development Rebate Reserve of Rs 4 lakhs, the disposable profit is Rs 65 lakhs against Rs 52 lakhs, showing a rise of about 24 per cent. A sum of Rs 17.48 lakhs has been provided for Gratuity for earlier years against nil last year; Rs 2.46 lakhs has been transferred to General Reserve against Rs 5.24 lakhs; and a sum of Rs 44.32 lakhs has been set aside for proposed dividends against

The Week's Companies

(Rs in Lakhs)

	MICO		Ahmedabad Advance		Tata Mills		Svadeshi Mills	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up Capital	810	375	157	136	126	126	136	136
Reserves	709	892	164	154	190	118	160	138
Borrowings	389	129	678	419	347	466	279	399
of which Term borrowings	350	129	123	54	157	108	103	103
Gross fixed assets	2119	1655	656	639	824	766	771	747
Net fixed assets	977	682	298	309	370	345	195	201
Investments	52	29	8	7	9	7	11	10
Current liabilities	678	404	262	252	280	263	295	208
Current assets	1556	1088	712	597	565	620	665	671
Stocks	783	444	507	388	471	500	482	482
Book debts	650	397	146	192	92	119	168	179
Net sales	2844	2343	1320	1195	1434	1356	1260	1246
Other income	61	27	14	16	7	20	20	19
Raw material costs	728	500	496	409	436	514	427	429
Wages	787	654	256	217	366	342	314	295
Interest	22	11	53	42	55	74	47	58
Gross profit (+)/loss(—)	796	645	78	62	134	19	127	22
Depreciation provision	235	247	32	31	37	34	31	30
Tax provision	328	235	20	—	12	2	55	—
Net profit (+)/loss(—)	233	163	26	31	85	—13	41	—8
Development rebate provision	62	38	9	9	35	28	8	3
Transfer to reserves	80	59	1	6	32	—	8	—
Dividend			P 1	1	P 3	3	P 1	1
Amount	E 91	66	E 15	15	E 15	10	E 24	18
Rate (per cent)	E 12	17.50	P 7.14 E 12	7.14 12	P 9.50 E 16	9.50 10	P 7.14 E 20	7.14 15
Cover (times)	1.88	1.89	1.07	1.40	3.13	—	1.33	—
Ratios (per cent)								
Gross profit/sales	27.98	27.53	5.91	5.18	9.34	1.40	10.08	1.77
Net profit/capital employed	12.21	11.67	2.60	4.37	12.82	—	7.13	—
Inventories/sales	27.53	18.99	38.41	32.47	32.84	36.87	38.23	38.68
Wages/sales	27.63	23.91	19.12	18.16	25.55	25.52	24.09	23.68

Rs 35.76 lakhs last year. The company claims that its results would have been considerably better but for substantial loss of production at the paper mill because of a power cut of 40 per cent imposed for about 2½ months and shortages of lime and coal caused by transport bottlenecks and all round increase in costs. Expansion of paper-making capacity by 3,000 tonnes per annum was completed during the year. The project for establishment of a coating plant at JK Paper Mills with an installed capacity of 4,500 tonnes per annum of coated paper and board is in progress. Production is expected to commence during 1974.

SKOL BREWERIES' project, which was behind schedule owing to difficulty in obtaining cement and steel for construction purposes coupled with delays in manufacture of certain items of equipment manufactured for the first time in the country and in supply of refrigeration equipment on account of shortage of electricity in Haryana, was completed in early February last. Initial production commenced soon thereafter. The company has obtained sufficient quantities of brewer's barley, produced for the first time in India in the 1973 harvest. The current year's crop is expected to be higher. The management complains, however, that bottle prices have increased by about 60 per cent during the past six months and that prices of other packaging materials, which constitute a substantial part of the ex-brewery price, have increased by almost 50 per cent. It is further stated that there is no sign of this trend slowing down.

ASHOK LEYLAND achieved an all-time record production in the year ending March 1974. The record production was achieved despite a 75 per cent power cut in Tamil Nadu for almost four months in the first half of the year. Output of the popular 7½-ton Comet chassis was 105 per cent of licensed capacity. Production of industrial engines, together with the recently developed, highly popular, marine version, was also above capacity levels. The Company is taking steps to increase output further with the government's approval. There is, however, a shortage of spare parts, production of which has not kept pace with demand. The Company has been trying to raise the production of spares and during the past two years output of spares has been increased by almost 20 per cent. Licensing formalities and government approval for the Company to double production of the Comet range of vehicles are now complete. The Company has taken steps to implement the project in the shortest time possible. This will go a long way to meet the unsatisfied demand and considerable backlog of orders for the Company's vehicles. The Company claims that neither the present economic conditions in the country nor the inflationary trends have had any adverse effect on the market demand and potential for these vehicles.

Calcutta Diary

A M

MINISTERS and their cronies call each other thieves and worse. A commission of enquiry is to find out which set of allegations has greater verisimilitude. What on earth for? To discover which minister is the greater thief, is a peripheral issue. In any case, one must not be carried away by the day's rhetoric. Certainly not all ministers are crooks. Certainly some of them are. But, given the context, the distinction between the two species is hardly relevant. Even those whose personal integrity is not to be questioned are constituents of the whole. When the very basis of the government is amorality, formal clearance of this or that minister — or his formal commitment for that matter — by a commission of enquiry is neither here or there. Since the political arrangement is structured on corruption, its working will stay corrupt. Even ministers whose personal integrity is not in question will have to acquiesce in immoral, and possibly illegal, acts for the sake of the arrangement.

For, remind yourself of the grand strategy that was. Around 1970, West Bengal was being considered touch and go. Between the Scylla of the Marxists and the Charybdis of the Naxalites, the state was given only a marginal chance of survival as a tranquil member of the feudal-bourgeois feudal polity. Any day, or so it was being thought, the final bell would toll. Something had to be done, and desperately hurriedly. For the first time in nearly three decades, around the middle sixties, a rich crop of brilliant young people had again been drawn to the political movement in the state. Most often, perhaps, you would not have agreed with their views and attitudes; nevertheless, they charmed you, bowled you over by their grit, their courage, their willingness to suffer for the cause. They had intellectual capability, they had organising skill, many of them had that undefinable, unquantifiable thing in plenty — namely, charisma. Even as these brave, bold youngsters were radicalising the arena, the working class movement too was gaining rapidly in strength; it attained, for the first time, a certain depth as well as a certain cohesiveness. Almost simultaneously, the landless labourers and the smaller peasants, encouraged by the experiment of the United Front, had begun to grab land and harvest that part of the crop which, legitimately if not legally, belonged to them. All of these dovetailed into one another, and the background was provided by an environment reeking with distrust of the Centre. Many of the grievances against the Centre had solid objective bases; a few were the products of emotive causality. But, in that milieu, that mixture of grouses was having a lethal effect.

Private industry which, under B C Roy's protective tutelage, had merrily gone on with their 'Ballygunge Plates' and whiskey sours and vintage car rallies, was badly scared. The feudal elements in the countryside — or whatever their remnants — which had just started to blossom into a new identity, i e, that of the quasi-capitalist group specialising in Mexican wheat, IR-8 paddy, and potato seeds, panicked about equally. And, of course, the Centre — which by then had recovered from its own identity crisis — was flabbergasted by the display of red flags fluttering across Calcutta's smog-smothered sky. Touch and go, said private industry. Touch and go, said the share-market operator. Touch and go, said the *faria* and the *kutcha adatiya*. Touch and go, said the many branches of the police, whose minions, by convention, have always shared the booty with the wagon-breaker and the levy-evader. Aye aye, conceded the Centre, it was touch and go.

West Bengal could not be allowed to go over. A grand strategy was worked out. It took months to mount it, there were hitches and flaws in the initial stages, but, by early 1971, a reasonably viable operational plan could be set in

motion. The ideologically fanatic young men were picked up in their hundreds. Several of the more determined ones amongst them were summarily liquidated. They were shot point blank, without trial, without even the mildest warning, some of them within a couple of hours of their being arrested, some of them right in front of their near relatives. Nobody talks about these young people any more, nobody seemingly knows their names: they were there, they are no longer there. The rest of the world, including the intellectuals who congregate in the groves of academia to discuss Mallarme and Bergman and My Lai, were not disturbed by the occasional rumblings of reports about these organised deaths. And those who were not shot were tortured: there was this shock of recognition, the modalities one has read in connection with the practice of torture in authoritarian regimes were faithfully deployed: many of these are too lurid to be described, and might hurt this or that reader's bourgeois susceptibilities.

The strategy marched forward, inexorably. The Central Reserve Police and battalions of the army were commissioned to activise a scheme of encirclement and annihilation. In order to make the scheme foolproof, the army and the police however had to have reliable allies and collaborators. The forces of law and order discovered the social scum. The habitual wagon-breaker, the knifewielder, the area ruffian, the *mohulla* rogue, the snatcher, the ragamuffin, they were all mobilised. Sometimes their services were purchased on daily wage, sometimes threats of arrest and persecution were held out to persuade them to fall in, sometimes they were promised a millenium once the communists were got rid of. Every now and then, these rich specimens of society were made to don the mantle of membership of the ruling party's youth or student body, so that the cover could look almost respectable: the hand that wielded the knife also waved the banner flaunting the Prime Minister's smiling, socialistically-inclined countenance. All the good men were thus brought together for the sake of the cause. It could be morning or afternoon or the dead of night, the units of the army or the CRP would cordon off an area, and the hired thugs, ably assisted by the police, would then begin to comb each individual house. Terror would strike the neighbourhood. It was violence perpetrated by, and at the order of, the authorities. Young men caught in the dragnet would become members in so much bragging statistics by the end of the day: in area A, the total catch from Operation Dragnet was three hundred and eighty-two; in area B, it was perhaps two hundred and ninety-seven. As in Vietnam, a neat credit system was set up: in our area, we have, in the course of barely one hour, caught twenty, liquidated three, bashed up eleven; what is your count? We have won, we have won.

Meanwhile, other ploys were also set to work. The Left parties, which took their own oral eroticism as the real thing — the Revolution — were busy pretending that their clumsy attempts at enlarging their own sphere of influence at the cost of the others was akin to seizure of power. Most of them could not see beyond their nose, and blind egotism was the credo of the day. In this confusion, the social scum could be liberally infiltrated by the police here, there and everywhere, so that, side by side with the government-organised terror, mutual knifings too took their toll of the cadres of the Left. This is a technique which the ideologues had read is their books, a technique which fascists and social reactionaries are wont to apply for creating a chink in the armour of working class solidarity. But, to the ideologues, such things happened elsewhere, in remote lands; few amongst them realised that the class war, unknown to them, had already come to their own shores.

From this, it was but a short hop for the hoodlums — by now totally identified with the government and the ruling party — to capture the polling booths and ordain the results of the 1972 poll. At least thirty thousand men and women locked away without trial for political reasons; the capture of power through *force majeure;* individual localities, including factory belts, cleansed of the turbulent Left elements with the help of hired goons; who can doubt that West Bengal has been made safe for democracy, and for private industrial and feudal elements? This state is no longer touch and go.

It is unreasonable to assume that, having served the cause, the social scum will now make themselves scarce. The police and the army by themselves would never have been able to achieve the spectacular success which West Bengal has been. It is the logistic support extended by the underworld, whose doughty champions often masquerade as a youth or student leader, which made the difference. If, today, the social scum withdraw from the scene, the Left will again take over Calcutta, and West Bengal. This is market reality. The underworld consists of people who are in a hurry: they want to be paid off, here, now, today, for the services rendered by them. They are represented in the state government, directly or otherwise. At the same time, the underworld, like West Bengal's Left, are also terribly suspicious of each other. The government they have helped to set up must by definition be a government which will dispense spoils. The current brawl in the state Congress is over which set of the anti-social elements will get how much of what spoils. Since all groups had participated in the jolly game of bashing up the communists, why must only one amongst them walk away with all the fruits of victory?

A commission of enquiry, even assuming that its *bona fides* are beyond dispute, can only do a gentle probing of the facade. The issue, however, concerns the entire rationale of the political arrangement. Morality is impossible of compartmentalisation. Having participated, alongside with the regimens of the army and the police, in much greater crimes while putting down the Left, the social scum will be hardly inhibited by a commission of inquiry. To eliminate the threat of the communist take-over, the authorities once considered it worth their while to befriend the sleaziest specimens of humanity. It is the code of ethics of the latter which will now prevail. Jobbery and nepotism may be in conflict with the goals of production and distribution, but past accounts must be settled. The social scum now hold the government to ransom. But it is their government, why should not they? You complain of the intellectual shortcomings of the government, you complain of its lack of achievements? These are again unfair charges to lodge. Nobody was looking for competence, honesty, integrity, *et al* when the *putsch* was arranged; the overriding criterion for decision-making was usefulness for suppressing communist influence. Those who helped you bump off communist cadres were promised the princess and half a kingdom; they will now claim their booty, and quarrel amongst themselves in case they suspect they are being short-changed. A government set up by thieves will naturally be expected to be a government run for the benefit of the thieves. Why cavil at it?

NEW DELHI

The Big Stick for Workers

B M

GOVERNMENT spokesmen from the Prime Minister down have been talking nineteen to the dozen about major 'wage reforms' in the offing. The various Cabinet committees are also said to have been discussing the subject. To take all this to indicate the beginning of an earnest effort to end iniquitous wage differentials and distortions would be to allow oneself to be misled by official propaganda.

What is, in fact, under way is a determined effort by the government to impose a freeze on wage and salary earnings. In the past also there have often been apprehensions about and agitations against a wage freeze, but of a different kind. The main issue then used to be the speed with which — and the extent to which — neutralisation of the rise in the cost of living could be secured from employers whether in the private or the public sector. An outright freeze on wages, regardless of the price rise and the consequent erosion of real incomes, was never seriously conceived.

It is this conception that has crystallised now. After the government's success in crushing the railwaymen's strike, the Prime Minister evidently feels confident about the feasibility of an unqualified wage freeze and seems even to believe that this is called for.

It was in fact the prospect of a general strike by over a million railwaymen that had underlined the need for wage reform. The Prime Minister had assured 'earnest' consideration of it by the government — though she had been careful to qualify the commitment by saying that big changes of this kind could not be effected 'overnight', and by putting the rider which had gone almost unnoticed at the time that wage reform should not dislocate the existing order of things. It was thus clear that, apart from overtly recognising the problem, government did not intend to attempt any significant reform in the field.

Talk of an integrated incomes and wages policy has been going on for as long as one can remember. In fact, however, wage differentials have widened and become less rational. Wages and salaries have been even less related to the imperatives of social labour, skills or productivity. Now that the resources position of the government is far worse, it could conceive of little else than taking an indiscriminate stand on wages. Hence the blinkered move, brazen and without evasion or equivocation, for a total freeze on earned incomes to the point where DA neutralisation too is to be denied to its present beneficiaries — particularly Government and public sector employees. Even before the railway strike, the Finance Ministry, as part of its so-called economy measures, had directed public sector undertakings not to raise allowances and other benefits to their workers without its own prior approval. This had already caused tensions among workers and unrest among officer cadres in the public sector undertakings.

In the steel plants, for example, there is considerable unrest among the officer cadres, earning Rs 550-775 with a DA of hardly Rs 70 per month — just half of what workers drawing almost the same emoluments receive. But the Finance Ministry has consistently refused relief. A similar situation prevails in the nationalised coal mines.

The main impetus to refuse DA neutralisation arises over the application of the Third Pay Commission's DA formula for government employees including employees of departmental undertakings, such as the railways, P and T, and defence production. According to the Third Pay Commission's recommendation, when the twelve-monthly average of the price index advances to 272 points, the government must decide whether to continue to give DA at the rates recommended by the Commission or to revise the pay-scales of the employees. Thus, during 1973-74, the government had to give five DA instalments under the Commission's formula. The sixth instalment was due in April. At the present rate of inflation, the level when pay revision must take place under the Pay Commission's formula may be reached in another two months. The immediate question, therefore, is whether the Government should continue to honour the Pay Commission's recommendations on this issue.

There is a strong section in the government which feels — arguing from the need to curb deficit financing and control inflation — that there should be no more DA payment on the scale of the last year or two. This opinion is a major ingredient in the so-called integrated wages and incomes policy.

Implementation of the policy will, of course, require an extremely harsh industrial relations policy. The manner in which the railway strike has been crushed and the treatment meted out by the government after the strike to the striking workers and their organisations foreshadows accurately what is to come in the future. The government has made it plain that there will be no discussion with the organisations which had led the strike and that there is no question of leniency towards workers who had participated in the strike. A proposal, now under consideration, is most revealing of the present mood of the ruling leadership.

While the principle of no pay for the period of the strike has always been acknowledged, its application in the past has been quite flexible. Generally speaking, workers have been paid for the duration of the strike, either

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

as an advance to be adjusted against future earnings or as payment in lieu of their earned leave. The practice helped enormously to restore normalcy after a strike. The new proposal is that such adjustments should not be allowed if workers are to be 'disciplined' and strikes are to be effectively prohibited. On the contrary, more stringent procedures are to be laid down for managing industrial disputes. Already, the concept of the 'essential services' in which strikes may be prohibited has been freely applied by the government. It is now proposed that this provision should be used more liberally in the blanket concept of the 'core' sector.

But this is not all. The logic of populism turning towards authoritarianism has been relentlessly unfolding on a wide and ever-expanding front. If workers are being treated with toughness, there appears at the same time to be a corresponding soft corner in the official heart for the industrialists and the businessmen. In any case, industry and its leading lights are feeling greatly heartened by the turn of events. The new implicit industrial policy — of allowing expansion of foreign-owned companies against a token dilution of foreign equity holdings and of licensing expansion of the big business houses — which has been under way for nearly two years, is now gathering more obvious momentum. The policy is rationalised on the ground that the cost of such expansions being very small compared to what will be required to set up new ventures, they offer the most economical way of increasing production and ensuring use of available private and corporate funds for investment. Further, the outright clearances recently given by the Monopolies Commission and the government for the expansion schemes of big business houses and foreign companies have greatly helped to bring about a 'spurt in industrial activity' — though the qualitative significance of this on the pattern of investment is not yet, and may never be, fully appreciated. It is pointed out that it is not quite easy to quantify this either. However, the capital outlay itself on these schemes may easily exceed Rs 500 crores. Among the noteworthy schemes in this category are the STPP plant of Hindustan Lever in West Bengal. Others engaged in similar ventures are Philips, Indian Aluminium and German Remedies, which have already diluted their foreign equity and have started implementing their expansion schemes. Other giants in the race are Indian Oxygen, Union Carbide, and many others. Among the big Indian business houses, Birlas take the cake : three units in the Birla group alone, it is pointed out, will implement an additional cement manufacturing capacity of 2.5 million tonnes in the next three years, involving a capital outlay of Rs 50 crores.

POLITICAL PRISONERS

New Uses of a Colonial Law

M R

THE Indian Penal Code, with its obnoxious 'conspiracy' provisions, was promulgated by the British in 1860 to stabilise and perpetuate their colonial rule. But not only has the IPC survived a quarter of a century and more of Indian Independence but the country's new rulers have found a new relevance for it. In addition, of course, we have known preventive detention laws of one kind or the other during most of the post-Independence period. In 1970 amidst the split in the Congress which deprived Indira Gandhi of her majority in the Lok Sabha, the Preventive Detention Act lapsed. Rather than risk a vote on the issue, she let the states enact their own preventive detention laws to fill the vacuum. Came the massive mandate in 1971 and about the first thing that Indira Gandhi did was to enact a new preventive detention law. It was called the Maintenance of Internal Security Act. Later in the year, the Defence of India Rules were clamped down. The State of Emergency still continues, though Swaran Singh proclaimed after the tripartite meeting of India, Pakistan and Bangladesh in New Delhi on April 9 that the subcontinent was on the "threshold of reconciliation".

In 1970, the Andhra Pradesh government had armed itself with a law more draconian than the PDA that it was supposed to replace. However, to its dismay, the state government has found itself repeatedly stymied by the High Court over its use of preventive detention laws against left movements in the state. It has, therefore, resorted to using the penal provisions of the IPC. A couple of weeks ago, the government launched yet another 'conspiracy' case under the IPC. Known as the State *versus* K G Satyamurthi and others case (or the Secunderabad Conspiracy Case) it implicates 46 functionaries of the Communist Party of India (Marxist-Leninist). Among the accused are six prominent writers and poets belonging to the Andhra Pradesh Revolutionary Writers' Association: T Madhusudana Rao, secretary of the Association, K V Ramana Reddy, Varava Rao, Cherabanda Raju, M T Khan and M V Ranganatham. Among the other accused are some leaders who are already in prison and are implicated in similar cases. Thus K G Satyamurthi, for instance, is one of the accused in the Parvathipuram Conspiracy Case, which is perhaps the biggest trial of communists in India since the Meerut and Cawnpore Conspiracy trials of the 1930s. According to the First Information Report, the 46 accused in the Secunderabad Conspiracy Case — some of them still underground —are supposed to have conspired, along with K G Satyamurthi and underground leader Kondapalli Seetharamiah and others to overthrow the government by violent means.

The Andhra Pradesh government has used Meerut and Cawnpore-type cases against revolutionary communists since 1969 when it swooped down on a secret conclave of CPI(M-L) leaders and, after a trial which lasted two years, secured the conviction of 28 persons to 4 years' rigorous imprisonment. These accused are now held on short-leash in the form of conditional bails — under which normally they are not allowed to move out of their home towns without permission — pending disposal of their appeals. The Parvathipuram Conspiracy Case, registered a little later, took years to come up before the Sessions Court and what with over 1,000 witnesses and mountains of paper evidence to be examined, will last for years. In the meantime, many of the accused have been in prison for five years already. The charges relate to pre-1969 events in the Srikakulam district of Andhra Pradesh. Most of the 60-odd accused standing trial in this case are also implicated in several other cases of dacoity, murder, etc.

Most of the revolutionary communist leaders had already been covered under the Nagi Reddy Conspiracy Case and the Parvathipuram Conspiracy Case. The new case just registered is, therefore, in the nature of a 'mopping up' operation. Among its objectives is to smash the Andhra Pradesh Revolutionary Writers' Association which has grown in strength and has become a powerful literary-political movement. By arresting the revolutionary writers under the IPC on non-bailable offences, the Andhra Pradesh government apparently feels secure against habaes corpus petitions and the like. The interlocking of the Parvathipuram and the incipient Secunderabad Conspiracy Cases has sinister implications for the accused who are common to both the cases. Even if they are acquitted in the first case, they can be held in continued custody in connection with the second.

INTERNATIONAL MONETARY REFORM

Haggling over the Price of Gold

(From a Special Correspondent)

THE persistent efforts of certain EEC countries to jack up the official price of gold have once again come to a dead-end. The nine member-countries of the EEC decided last week to drop their plans to press for an upward revision of the gold price at this week's final meeting of the IMF's Committee of Twenty on international monetary reform. They will, however, continue to work on their tentative proposal to allow central banks to trade in gold among themselves at market-related prices.

Some six weeks ago, it may be recalled, the nine EEC countries had, after prolonged discussions, finally approved this proposal. They were then ready to implement it after securing the concurrence of the United States. It is interesting that even those EEC countries which are very vocal about the EEC countries asserting their total independence from the US so far as intra-EEC economic matters are concerned, were willing to go along with the other member-countries who maintained that they could not possibly think of introducing such a measure without obtaining US approval for it.

The EEC's argument for raising the official price of gold for inter-central bank dealings runs along familiar lines. Since the present official price of gold is ridiculously low in relation to its free market price, all monetary stocks of gold are virtually frozen as no central bank is willing to part with its gold at the official price. According to IMF rules, no central bank can buy gold at the market price, though it can sell gold at that price if it chooses to. This one-way option, however, deters central banks from selling gold as they cannot repurchase it later so long as the market price remains higher than the official price. Moreover, the majority of the more important central banks are reluctant to deal in gold in the free market since the market has been in the grip of speculators for quite some time. Thus the only option left is to permit dealings in gold among central banks at some agreed price.

France and Italy, which hold large stocks of gold, are currently facing unusual balance of payments difficulties. They are, therefore, keen that the price at which gold is traded among central banks should be as high as possible. Hence their anxiety to persuade other countries to agree to the proposal that dealings in gold among central banks should be at market-related prices.

A major flaw in this arrangement, however, is the possibility of central banks trying to manipulate the market so as to influence the market price of gold in their favour. It is now well known that despite IMF rules against official deals in gold at prices other than the official price, some central banks have surreptitiously purchased gold from the market so as to rig up its market price. The main reason for these deals was that these countries wanted to convince as large a number of countries as possible that the official price of gold was highly unrealistic and that, therefore, it needed to be raised several-fold.

The US, however, remains unconvinced by this argument and is bent upon reducing the monetary role of gold to the point of eventually eliminating it from the international monetary system. In the immediate post-war period the US had the largest stocks of gold and, as a result of its policy of maintaining the gold convertability of the dollar till August 1971, it lost almost 60 per cent of its gold stocks, largely to such countries as France, Italy and West Germany. The US is, therefore, understandably hostile to proposals for raising the official price of gold which would confer windfall gains on some of the European countries which had built up their gold stocks at the expense of the US at the-then prevailing low official prices.

The EEC countries are aware that without the concurrence of the US they will not be able to introduce a step of far-reaching importance such as raising the official price of gold. They also know that most of the developing countries are not in favour of raising the official price of gold as it would benefit only the developed countries which hold most of the world stocks of gold. In view of this allround indifference, even hostility, to their proposals for raising the price of gold, the EEC countries did make some desperate efforts to win the support of the US. They had taken the unusual step of sending a high-powered emissary, the Dutch Finance Minister, to Washington to sound the US Administration on the EEC's proposal on gold. The US, however, side-stepped the issue by politely reiterating its oft-repeated position that the monetary role of gold should be gradually reduced and eventually eliminated. The new US Treasury Secretary later offered a tempting bait to the EEC countries by stating that there was need to work out new rules for gold which would both assist nations in responding constructively to changes in their balance of payments positions and facilitate steps towards the agreed objective of a diminishing the monetary role of gold. He, however, cautioned that he was not implying acceptance by the US of a high price of gold but only suggesting that something needed to be done about gold.

The US attempt appears to be to bargain with the EEC countries in making the SDRs the numeraire of the reformed international monetary system by delinking the value of the SDRs from that of gold, so that gold would not have any official price. This would leave the EEC countries free to deal in gold among themselves at any price they like. It was reported that, as part of this package, the US wanted that the volume of monetary gold should be brought down by official sales of gold on the free market, while the ban on purchases of gold from the market by central banks was continued. As a first step, the IMF should be made to sell gold out of its stocks which are valued over at $5 billion at the present official price of $ 42.22 per ounce. This would improve the liquidity position of the IMF and would enable it to lend in a bigger way to countries which are badly hit by the oil crisis. Official sales of gold would have the other beneficial effect of reducing the ludi-

crously high price of gold in the market which is being manipulated by speculators. After the speculators' back was broken and the free market price of gold was brought to sensible levels through official gold sales, dealings in gold among central banks at market-related prices could be a sensible proposition.

On the eve of the meeting of the Committee of Twenty there were some hasty discussions among the Group of Ten, which is the rich countries' club concerned with international monetary affairs. At these discussions, the US appears to have agreed to a compromise proposal. According to this proposal, gold could be used as collateral for international borrowing by any country. The value of the gold used as collateral for such borrowing could be determined by the lender, depending on his assessment of the worth of the collateral being offered as security. Thus while gold will not be valued at market-related prices, the proposal takes the wind out of the sails of the European countries' complaint that they are unable to make use of their large gold stocks to finance their payments deficits. It may be expected that in return for this small concession, the US will insist on reciprocal compromises by the Europeans on the other important issues invoved in international monetary reform.

NORTH

Taxing the Rich without Hurting Them

HOWEVER persistently the Central Government and the Planning Commission might press for speedy implementation of the Raj Committee's recommendations, the Punjab Government is unlikely to budge very much. The farm lobby is so strong in this region that any such proposals — including 'time-bound programmes' to mop up surplus funds from the rural rich — are summarily shelved. In fact the present rates of land revenue and other taxes in Punjab are believed to be the lowest in the country, even though the state is about the most prosperous. Every Punjab ministry, whether Congress or Akali, relies on the goodwill of the rural rich for political survival. Consequently, even the Vice-Chancellor of the Punjab Agricultural University, which has become an influential forum for protecting landowners' interests, was able to publicly warn on May 30 that imposition of an income-tax on agricultural incomes would be 'ruinous' to the state's agriculture. He suggested that, instead of levying any fresh tax which would be strongly resented, the rates of traditional imports — such as land revenue and water rates — could be enhanced.

And this is what the state government is now contemplating in answer to the mounting Central pressures for tapping agricultural incomes for state revenues. Thus, Revenue Minister Umrao Singh stated on May 31 that, while there was no question of imposing an income-tax on the farm sector the Government would consolidate several taxes (including land revenue and the special surcharges) into one levy, the rate of which might be later on progressively increased. The new consolidated levy is estimated to yield another Rs 2 to 3 crores.

Indeed, with landlords predominating the state cabinet and the state legislature, any major levy on agriculturists, or any effective land reform, is ruled out. The land ceilings law, for instance, exists only on paper, the bigger owners having already obtained the requisite adjustments in the revenue records and through numerous fictitious transfers. In any case, the entire attempt at land reform has been thrown out of gear following the High Court's order declaring some provisions of the Act as *ultra vires*. Any hope of reviving it appears remote as most of the Congress and Akali legislators are happy that the state's land ownerhsip pattern remains unchanged. The only group strongly advocating land reform is the CPI, and it has lately started an aggressive campaign despite its earlier understanding with the Congress.

Meanwhile, the Punjab Government has announced another Rs 10-crore economy drive. All non-productive expenditure is to be heavily curtailed; the non-plan programmes are to be pruned to save at least 5 per cent in the current year; travelling allowances and contingencies are to be cut by 5 to 10 per cent; and no new posts are to be created except under the Special Employment Programme.

While the Government's move to consolidate and ostensibly increase the agricultural tax has not caused excitement, the sharp rise in fertiliser prices has greatly upset Punjab farmers, big and small. Whatever the case for raising the fertiliser price to the farmer, the 90 per cent price hike is considered wholly unjustified. The small and marginal farmers would be the hardest hit. Many of them might refrain from buying fertilisers in the requisite quantities. Punjab's vocal landlords argue that the prohibitive fertiliser prices make nonsense of the Government's repeated calls to the farmers to raise production. According to some peasants, with reduced consumption of fertilisers, production of foodgrains and other agricultural commodities would fall by 15 to 20 per cent. Taking Rs 200 worth of fertilisers as the normal input per acre for each major crop, the 90 per cent price increase represents a tax burden of Rs 180 per acre per crop, or about Rs 360 per acre for the whole year. Power tariffs for tubewells are higher too. With the sharp rise in the cost of farm inputs, the farmer will, no doubt, demand another spurt in prices. And, of course, the burden will be passed on to the consumer.

While farmers in Punjab and Haryana are agitated over the fertiliser price hike, two lakh small landowners of the newly-merged areas of Himachal Pradesh are facing a crisis of a quite different sort. As part of its all-out bid to protect the tenants' interests and ensure land to the tiller, the Himachal Pradesh government sponsored the Land Reforms and Tenancy Bill. The Bill was passed in December 1972, but the Union President gave conditional approval to it early this year. Acting on the suggestions made by the Union Government, the state government issued an ordinance making the ejection of tenants even more difficult and conferring proprietary rights on them. Resumption of land even by small owners of between one to five acres has become virtually impossible. Since February, the Laghu (small) Zamindar Sabha has been conducting an agitation in the affected areas of Kangra valley. The agitation has at times taken violent turns, and there have been several landowner-tenant clashes. A few weeks ago, a Minister's car was burnt, though the Zamindar Sabha denied having any hand in the incident. The Jan Sangh has been backing the landowners, and the CPI pleading the tenants' cause. Since this is not a case of ending repression or acquiring surplus land, the state government finds itself on the horns of a dilemma. There is strong resentment against the denial of the petty landowners' right of resumption even up to five acres; so, to relieve the tension and to claim credit for the outcome, the ruling Congress has formed a rival organisation of small landowners.

The thousands of ex-servicemen, hailing from this area which has for decades been an important recruiting ground for the armed forces, also stand to suffer under the new land law. Army personnel are allowed to resume land upto five acres after retirement; now, ex-soldiers who are not cultivating their land are denied this right.

The measure is also discriminatory in the exemption granted to orchards. The logic behind the favourable treatment accorded to orchard owners, most of whom are far more prosperous than are the petty landowners, is hard to understand. Under the new Tenancy law, an orchard owner may employ as many tenants as he likes for any length of time, without losing his proprietary rights; but the small landowner who gets his land cultivated by tenants for foodgrains stands to lose the land.

CHINA AND SOUTH-EAST ASIA

Discarding Alien Curtains

G P Deshpande

TUN ABDUL RAZAK concluded a six-day official visit to Peking recently. He came back after a formal announcement that China and Malaysia would be establishing diplomatic relations. All this was not unexpected. Nevertheless the importance of this event should not be overlooked. Razak has set a new trend in South-East Asia's international relations which his other ASEAN partners like Thailand and the Philippines will have to consider very seriously and, perhaps, sharpen.

South-East Asian politics was so far characterised by an alliance system aimed primarily against China. The Western promoters of this system had moved out of this position quite some time ago. When the smaller partners of the several varieties of 'alliance for progress' that were tried in South-East Asia would follow suit was only a question of time. Malaysia has taken the big leap forward. China will now have a second embassy in non-communist South-East Asia. With the exception of Sihanouk's Cambodia, Indonesia before 1965, and Burma, the members of the South-East Asian 'free' world were never on talking terms with China. They held China responsible for the insurgencies that almost each one of them faced. There was the red menace, so the argument ran, and it owed its existence to the communist government in Peking. Consequently the first step to meet the threat was the building of barriers around themselves. Any number of walls were created in an area where historically and culturally none had existed. The 'free' world had built around itself one curtain after another. First SEATO, then ASEAN, and so on.

The Chinese kept repeating ever since Bandung that on their side there never was a Bamboo Curtain. But the barricades built by the South-East Asians and their alien partners had to be cleared in order to take a look at each other. SEATO and the other barricades have not, of course, disappeared, but some paths have been opened through them.

The dominoes of yesterday have become independent actors of some importance. They always were, in a sense. The philosophers of collective security have a tendency to treat smaller and weaker states as helpless and in need of protection. Sooner or later the domino myth — of which South-East Asia has been a victim — had to go. At one time it almost appeared that South-East Asian statesmen took their appointed role of dominoes very seriously. The myth began to break with the Americans talking to the Chinese; with the Japanese establishing an embassy in Peking the myth finally lost all its appeal.

Insurgencies Are Internal

It is not as though the insurgency in Malaysia has ceased. Nor is it true to say that Razak takes any kinder a view of the Malayan Communist Party guerillas than his predecessor Rahman did. The change has occurred with a rather vague realisation that the insurgencies probably have very little to do with Peking and, in any case, a 'send me no flowers' approach does not help in meeting these threats. It is possible that Razak may have, in fact, come to believe exactly the opposite. A friendly relationship with a communist state is the best way of neutralising the local communists. There have been many in Asia who have tried this therapy. Some have actually succeeded. Whether the MCP will, like some other fraternal parties elsewhere in Asia, oblige Razak, one does not know. That he certainly thinks so is brought out by the joint communique at the end of the Razak-Chou talks. The communique states that "the two governments consider all foreign aggression, interference, control and subversion to be impermissible". In short Chou En-lai and Razak have restated what international politics is all about. Its scope has always been limited to relations between states. To believe that it can and should extend to domestic politics is an error. The South-East Asians and their alliance systems perpetuated the error. The 'if you have an insurgency blame it on Peking' approach was the result of that terror. Razak's trip to Peking seems to be the first faltering step towards recognition of this rather simple truth.

In terms of international politics there are two issues which have been uppermost in Chou En-lai's mind for the last quarter of a century. The first relates to the status of Taiwan. The Chinese have insisted on the recognition of their claim that Taiwan is an inalienable part of China as a prior condition for the establishment of diplomatic relations. Malaysia has now withdrawn its consulate from Taipei and accepted that Taiwan is a part of China (which Malaysia, incidentally, had never questioned), thus ruling out Malaysian support to any future move for an independent Taiwan.

The other issue has been the doctrine of collective security being beamed at Asia from outside. Therefore, in supporting ASEAN plans for the neutralisation of South-East Asia, Chou En-lai has insisted that China's support is subject to the dismantling of foreign bases in the area. It is worthwhile to remember that the only foreign bases in the area are American bases. Chou En-lai has asserted in no uncertain terms that neutralisation within the existing alliance system is unthinkable. In short, American bases will have to go.

Another, slightly more respectable, collective security thesis propounded for Asia is the Brezhnev Doctrine. Razak tried to steer clear of the problem by saying that no details were in fact available. In any case, ASEAN ideas on the subject of security consisted of small associations of small states.

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The Razak talks in Peking have thus covered a wide field. They have, however, left a few questions unanswered. Malaysia has the largest number of overseas Chinese. Apparently some 220,000 stateless Chinese reside in Malaysia. The principle of dual nationality was rejected as obsolete and no clear guidelines have emerged on how the citizenship problems of these people are to be solved. The problem is likely to be trickier than expected. An earlier attempt at resolving the citizenship problem of the overseas Chinese in Indonesia in the early sixties did not yield very smooth results.

The most interesting feature of the Chou-Razak talks has been the subject of the Malacca Straits. We have no clear indication in the communique on what the discussion on the subject was like. Malaysian officials have claimed that Chou En-lai supported the Malaysian-Indonesian claim that the Straits were their territorial waters. The full implication of this would be clear the moment we look at the map of South-East Asia. What is at stake here is not just the ownership of the Malacca Straits. Gradually, the South China Sea is developing into a lake to be shared by the littoral states including China. All major approaches to that Sea will, if this trend persists, be controlled by the littoral states. At least theoretically, the Sea would then be freed of any external penetration and thereby of control. We can see here the gradual emergence of China's naval doctrine. It consists of extension of the sovereignty over and control of the seas by smaller and weaker states and not just periodic demands that great powers should quit the seas. The super powers have so far been used to behaving as pirates on the seas. The transformation of the South-China Sea into a lake is therefore going to be a development of tremendous importance. Razak's trip to Peking probably indicates that the littoral states want to live peacefully with each other. This is the first condition of eventual Asian control of Asian waters. It is to be seen whether the new leaderships in Asia will actually abide by this condition. Razak's talks with Mao and Chou may thus be a trend-setter in a more meaningful manner than what the cautious communique would indicate.

MAHARASHTRA

Beedi Workers of Sinnar

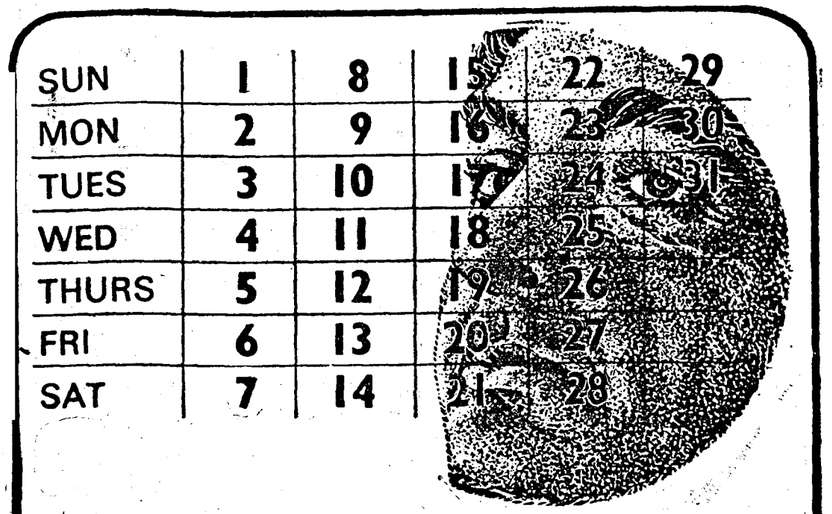
SINNAR town and some 15 adjoining villages in Sinnar taluka of Nasik district are a major beedi manufacturing centre in Maharashtra. Bhandara, Gondia and Nasik are other important beedi centres. Sinnar town has been known as a beedi manufacturing centre for more than 50 years. Today in Sinnar town and the 15 adjoining villages, six manufacturers, known as 'beedi kings', control this cottage industry.

Sinnar has a population of around 20,000, of whom over 5,000 are beedi workers, employed by the six 'beedi kings.' There are another 5,000 beedi workers in the villages adjoining Sinnar. Of the 10,000 beedi workers, over 65 per cent are women. While the male workers work in the so-called 'karkhanas', which are in fact no more than improvised, temporary sheds, the women workers generally work in their homes.

In the beedi industry, the age-old practice is for the employers to supply tobacco, beedi leaves and thread to the workers who are paid piece wages. The minimum rate of wage fixed by the Maharashtra government is Rs 4 for 40 bundles of 25 beedis each, or for 1,000 beedis in all. In 1948, the then Government of Bombay, appointed the Bakhle Committee to fix the minimum wages for beedi workers. The Committee fixed the minimum wage for rolling 1,000 beedis at Rs 2.50. In 1965 the state government appointed the Vazkar Committee which fixed the minimum wage at Rs 3.50 1,000 beedis. The rate was raised by 50 paise to Rs 4 in December last year. This, it may appear, is not an unsatisfactory wage, at any rate when compared with the wages paid to agricultural workers and workers employed on road works or in cottage industries. However, even a casual acquaintance with the terms of employment and actual working conditions of the beedi workers will show that reality is very different from appearance.

Though the beedi worker in Sinnar is statutorily assured of a wage of Rs 4 for rolling 1,000 beedis, in fact his daily earnings range on average between Rs 3 and Rs 3.50 and his monthly earnings come to only Rs 60 to Rs 75, depending on the number of days in a month he is able to work. Because of the unhealthy working conditions — continuous inhaling of tobacco fumes, cramped work sheds — and the fatigue, a beedi worker is able to work 20 to 22 days in a month on average. A beedi worker is able to roll about 800 to 1,000 beedis a day. The total labour time required for rolling 1,000 beedis ranges from 12 to 16 hours. Four to six hours are needed for cutting the beedi leaves and eight to 10 hours for rolling the beedis. The workers cut the leaves at night and roll the beedis the next day. As mentioned above, employers supply tobacco, beedi leaves and thread, but they do not take back bad leaves and exchange them for good ones. If a large number of leaves in the bundles supplied to a worker turn out to be bad, the worker has to make up for the shortfall by buying leaves from the market. On average, a worker has to spend Rs 8 to Rs 10 per month on buying beedi leaves to sustain his monthly earnings. Sometimes, beedi workers have to buy thread as well. Another malpractice indulged in by employers is the rejection of beedis rolled by the workers. On average, out of a day's labour a worker loses about 50 to 100 beedis rejected as defective by the employers' supervisors. These rejected beedis, for which the workers are paid nothing, are sold by the employers as seconds in the market. In addition, the beedi worker has to supply 50 beedis free for every 1,000 beedis paid for by the employer. Thus if a worker rolls 1,000 beedis a day, he is not paid for about 100 beedis. The gain for the employer on this account out of a day's output of one crore beedis in Sinnar and the adjoining villages is therefore very substantial. This reporter was also told that workers employed in the 'karkhanas' in the villages are even required to pay rent for the space where they sit for rolling beedis.

The Beedi and Cigarette Workers (Conditions of Employment) Act 1966, passed by the Centre, was challenged by the beedi manufacturers. The Supreme Court, however, upheld the Act in a judgment delivered on January 31, 1974. The Act stipulates, inter alia, that workers shall not be made to work more than nine hours a day or 48 hours a week; that workers shall be entitled to, in addition to a paid weekly holiday, annual leave at the rate of one day for every 20 days worked during the preceding calendar year; that the



DARKNESS AT NOON

For many of us in the fixed income group, the month begins with a bang. A spending spree or just that wee bit extra pressure on purse follows..... And the days start limping to that far-away destination—the next pay-day. But we cannot avoid spending on festive occasions, guests, social obligations and what have you. They are no respecter of the state of our purse either.

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worker shall be paid wages for the leave period at a rate equal to his average daily wages during the month immediately preceding his leave; that for the weekly holiday, the worker shall be paid at a rate equal to his average daily wage for the days immediately preceding the weekly holiday. However, the Beedi and Cigarette Workers Act remains a dead letter at Sinnar and the adjoining villages. This writer was told by representatives of beedi workers that workers get neither a paid weekly holiday nor paid annual leave. Women workers do not get any maternity leave, though the Act stipulates three months' maternity leave. Most women workers return to work within a fortnight of delivery. If they do not go to work in the 'karkhanas', they work at home. Women workers continue to work in the most unhealthy conditions throughout their pre-natal period, inhaling injurious tobacco fumes. They work in these conditions often with infants on their laps and huddled together with male workers.

The state government's Labour Officer is the supervising and enforcing authority for the Beedi and Cigarette Workers Act as also for ensuring payment of the statutory minimum wages to the workers. According to a trade union leader, visits by the Labour Officer to the 'karkhanas' in Sinnar and the adjoining villages are rare. This trade union leader, who had himself worked as a beedi worker for 25 years, told this writer that more than 50 per cent of workers eventually die of TB or asthma. Despite the unhealthy conditions in which they work, the beedi workers do not get any sick leave or any medical benefits. Even more important, the beedi workers in Sinnar and the adjoining villages do not get any lay-off compensation if the employers decide to cut the production of beedis. This leaves the employer free to suspend or curtail production on various specious pleas. Finally, despite the Act, there is no job security for the beedi workers.

The beedi workers of Sinnar have launched many struggles for improving their wages and working conditions, but without much success. The reason for this is their extremely poor holding capacity and their total dependence on the day's earnings. In their struggles they get no help from the legislation enacted by the Centre. The state government has been made responsible for the implementation of the legislation. According to the trade union leader mentioned above, the money power of the 'beedi kings' and their influence over the state government, which extends right up to the Cabinet, are enough to ensure that the beedi workers do not get any of the benefits assured to them by statute.

UTTAR PRADESH

Some More Feudal Rivalries

Anees Chishti

The death of Muslim Majlis leader, A J Faridi, has left his organisation leaderless. He did not nominate anyone to take his place and even though all his companions knew for some time that he was ailing, there was no move to plan for a successor. This was typical of Faridi's style of functioning. Although he wielded tremendous influence in UP's Muslim politics for a decade and a half, he never took politics as a serious full-time commitment; to him it was just an interesting diversion that gave him considerable popularity.

Faridi's rise in UP politics can be traced to his personal vendetta with C B Gupta who is said to have passed some uncomplimentary remarks against
ı. Consequently, in the true tradi-
ı of feudal rivals they fought for
ir glory in the city of Lucknow.

Few perhaps know that Faridi drew his inspiration from Maulana Abul Hasan Ali Nadvi (Ali Mian) who is known to the large number of his devout followers for his profound religious 'wisdom' and Arabic scholarship and whose command is like the proverbial inscription in stone. Interestingly, while Faridi adopted postures of "enlightened communalism" and shades of Western modernism, the fact is that he could hardly think of operating outside the political matrix of conservatism laid out for him by Ali Mian.

The Muslim Majlis-e-Mushawarat was formed in 1964 as a consultative committee of Muslims mainly to give vent to the community's feeling of horror and disgust following the killing of Muslims at Jabalpur and Rourkela. The Congress government was, however, successful in seeing one of its leading lights, Syed Mahmood, elected as president of this body which was supposed to be a "purely non-political organisation." Apart from Syed Mahmood, the most important Muslim leader who gave a call for the coming together of Muslims of all shades of opinion was Ali Mian. Some fire-eating young Muslims drew satisfaction from Ali Mian's close association with this body. It is, however, interesting that some informed sources have always maintained that Ali Mian, too, enjoyed the full confidence of the Central government. Nevertheless, the Majlis-e-Mushawarat continued to be regarded as the representative body of disgruntled, anti-establishment Muslims.

The split which took place in the Majlis-e-Mushawarat between pro-Congress and anti-Congress elements preceding the 1967 general elections was inevitable. While the anti-Congress faction, led by Faridi, wanted the Majlis not to support any Congressman, the official pro-Congress faction led by Syed Mahmood, chose to support some "good" Congress candidates. The battle was carried on to the bitterest end and led to the defeat of the Congress in the UP assembly and depletion in the party's strength at the Centre. Mahmood retired from politics in disgust and left the field open for Faridi.

In an effort to broaden the character of the Majlis' campaigns, Faridi's mentor, Ali Mian, advised him to involve the top Muslim League leaders of south India more actively. It was thought that by doing so, the Majlis-e-Mushawarat might fill the gap caused by the apathy towards it shown by leaders of the Jamaat-e-Islami because of certain ideological differences. The south Indian leaders on their part found in Faridi's outfit a wonderful opportunity for extension of their own influence in the thus far unexplored north. This aggressive opportunism of the Muslim League and the mutual north-south suspicions gave rise to yet another split in the organisation when Faridi created an active political front of the Majlis-e-Mushawarat — the Muslim Majlis. The Muslim League in UP then enrolled some dropouts from the Majlis-e-Mushawarat and started operating as an active rival party in UP and other parts of north India.

Prior to the 1971 Lok Sabha poll, Faridi had gained considerable bargaining power. Indira Gandhi ob-

viously realised this and made peace with Ali Mian and Faridi with the help of her own representatives of orthodox Muslims. Partly due to this, Muslims in north India gave the Congress an almost total mandate.

But the same could not be achieved during the recent elections to the UP assembly. Sheikh Abdullah was launched in Lucknow a few months before the elections. He operated on a more or less common wavelength with Faridi in some of his campaigns but as expected the understanding could not last long. While Ali Mian and Faridi were hell-bent to oppose the Congress as they nursed the grievance of neglect even after doing an excellent job for the Prime Minister in 1971, the Sheikh seemed to have other motivations. Ali Mian found a serious challenge to his own leadership and in an interview, his first in any English daily, he condemned the Sheikh's activities in Lucknow and elsewhere in the severest terms. Consequently, Faridi asked the Kashmiri leader to wind up even though they had earlier agreed to share the Majlis-e-Mushawarat platform according to an elaborate programme. Faridi's subsequent understanding with Charan Singh was a clever move. So was his refusal to merge with the famous seven parties. Throughout his life Faridi clamoured for a separate identity for himself and his group and he was hardly expected to dissolve his political substance into a rather alien solution.

But now that Faridi is gone, Ali Mian will have to look for another political disciple who could be used as a new messiah. Presently, he has no one cut out for such a role. Those under him who carry his command to various other sectors of thought and activity are made of different stuff and have no talent for the required dynamic role. In these changed circumstances, a realignment with the Muslim League cannot be ruled out. Ibrahim Suleiman Sait, himself an outsider to Kerala, might be willing to pick up the threads in UP. He might also not be unprepared to treat Ali Mian as a father figure much as he had earlier considered Abdur Rahman Baffaki Thangal of Kerala. His interest in the north is further reflected in the fact that he has got himself elected president of the UP Muslim League unit.

Moreover, there are no ideological contradictions between the leaders and cadres of the Muslim League and the Muslim Majlis. The earlier parting of ways was due primarily to certain personal motivations. After Faridi's demise the League volunteers in UP may find a new opportunity for recognition. Ali Mian is likely to favour Suleiman Sait and not anyone from the Jamaat-e-Islami (the other likely alternative) because the Maulana himself is a Jamaat deserter and does not see eye-to-eye with its top leadership. He is soft on the Tablighee Jamaat, but this group is not interested in playing politics.

It will not be too long before the first moves are made in preparation for the 1976 elections.

ISRAEL

Some Perplexing Questions

Surendra Bhutani

GOLDA Meir's resignation as Prime Minister, though long expected, did not come in the manner she would have wished for herself, for her Mapai (Labour) party or even for Israel. Though originally chosen as a stopgap Premier in June 1969 in order to prevent a split in the Mapai party and to stem the rivalry between Moshe Dayan and Yigal Allon, she continued unchallenged till the October War of 1973. With the October War there began a new process in Israeli politics. A whole generation of Israelis who had previously been politically disinterested and apathetic were awakened to political conciousness for a wide spectrum of reasons, ranging from poverty to careerism and from the generation gap to an election system that leaves a minimum of choice to the individual.

Some features of the new process became apparent after the results of the December 1973 election. The election campaign witnessed much wrangling between the coalition partners and within the parties themselves, and a search within the military establishment "as to who was responsible for what". Golda Meir returned to power but with a thin majority. Many voted for the Mapai party simply because they were not prepared to support the unwillingness of the Likud (the right wing group) to make concessions on territorial issues, if any sort of accommodation was to be reached with the Arabs.

As long as most reservists were at the front, the misgivings about the military establishment and the political leadership were voiced generally in parliament. The moment most of the reservists were released, these misgivings resulted in the emergence of a number of protest groups. The wave was set in motion by a lone reserve officer, Motti Ashkenazi, who launched a campaign for the removal of Moshe Dayan as the Defence Minister. Singlehandedly, Ashkenazi addressed several largely attended rallies. Hitherto political rallies had been the joint monopoly of the New Communist List (Moscow-oriented) and the Israeli Black Panthers. Now there are at least eight to ten sizeable protest groups and all of them seek to reform the country's proportional representation electoral system. One of the roots of the present malaise is the fact that the individual voter has nobody to turn to as he is forced to vote for a party, never an individual. The major parties, all of them dominated by people in office for decades, and in their 60s or 70s, simply put up lists of candidates and the ordinary voter has no idea whatsoever as to who represents him.

Nor is the military set-up devoid of recriminations. The lack of information available to the public over the case of General Tal, Deputy Chief of Staff, is just one instance. Tal resigned without stating his reasons. Rumours persist about how he was 'elbowed out'. Hardly had the Tal affair subsided when the Agranat Commission's findings about Israeli unpreparedness for the October War shocked the entire country. Questions were asked as to why the Commission applied different yardsticks to Defence Minister Moshe Dayan and to former Chief of Staff David Elazar. With the dismissal of Elazar and other officers, armed forces morale is depressingly low, particularly because no action was taken against equally culpable politicians.

Although the Labour party has chosen Yitzhak Rabin as its new leader, uncertainty about the viability of his coalition government still remains. Labour's erstwhile partner in the coalition, the National Religious party, wants to solve the 'who is a Jew' problem and wants a national government of all parties, including Likud. And for how long the Rafi wing led by Shimon Peres, after its defeat in the Labour party, will continue to give its support to Rabin, is another perplexing question.

HYV: Missing Dimensions

N S Jodha

Science and Agricultural Production by Ingrid Palmer; United Nations Research Institute for Social Development, (Report No 72.8); Geneva, 1972; pp vi + 100; $ 2.
Food and New Agricultural Technology by Ingrid Palmer; United Nations Research Institute for Social Development (Report No 72.9); Geneva, 1972; pp vii + 85; $ 2.

A NUMBER of global research projects, to understand the implications of the green revolution, were initiated by various UN agencies. One such, the United Nations Research Institute for Social Development, brought out a series of studies on different aspects of the green revolution. The two monographs by Ingrid Palmer, reviewed here, are part of that series. The first deals with the science and the physical production aspects of HYVs, while the second is devoted to the problems in the nutritional field, resulting from large-scale introduction of HYVs.

What distinguishes the first book from several studies on the green revolution is its very approach, looking into HYV-based crop farming as a physical production activity determined by a host of soil-plant-water relationships. Variables as far-ranging as climatology to micro-biology have been considered in order to explain the scientific basis, the potential, and the problems of HYVs. Through a discussion of the physical and biological aspects of the HYV-based farm technology, the author proceeds to bring out the social, economic and ecological implications of it. This immensely enhances the value of the book. For, agro-economists — particularly those coming from 'social sciences stream' — often reduce the complex farm activity to the framework of a model while too often betraying gross ignorance of the real ingredients in agriculture that may completely invalidate their model.

A summary view of the global performance of HYVs and the role of fertilisers in that performance, is followed by a brief description of the physiological basis of HYVs — spanning problems of identification and isolation of plant characteristics that activate nutrient-uptake and ensure higher grain-bearing capacity in the plants. The subsequent discussion is devoted largely to analyse how, the very factors which helped evolve the miracle seed for one location (environment-type) cannot be expected *ipso facto* to repeat their performance in every location.

On the basis of scientific results and other evidence from various parts of the world, the author in simple, non-technical language explains the specific role of climate, soil, solar radiation, moisture, pests, diseases and, of course, cultural practices, on crop production in general and HYVs in particular. In fact, while Indian farm scientists have been basing their recommendations too on such facts — showing the efficacy of some of these factors, through integrated national demonstrations conducted in farmers' fields in various parts of the country — they have often ignored that, in view of the micro-heterogeneity characterising agriculture, any recommendations outside of these plots, to be most effective have to be highly area/plot specific. To ensure this, there has to be a competent technical-support base at the grassroots level. The creation of such infrastructure, is probably more difficult and more costly than evolution of a miracle seed, and is simply beyond the financial and technical competence of most of the LDCs — pilot projects, mainly through outside assistance, such as the Pueblo project in Mexico, being the exception. In practice, while sophisticated technology may call for plot-specific details, the farmer has to remain contented with the broad district-level recommendations that are available and use the crucial inputs if and when they are available. Thus, it is clearly the lack of means and mechanisms, rather than lack of knowledge or desire, which stand in the way of scientific farming.

The book conveys two distinct warnings. First, if today's science operates, as did yesterday's, by placing its limited resources where natural environment is more sympathetic or where commercial profits are greatest, we may in time be faced with a populous fourth world within the third world of today, and the international hard core of poverty would be worse than ever (p 5).

Secondly, unless the long-term safeguards are ensured, a rush for exploiting the new technology in HYV-areas may accentuate the resource depletion process, and the green revolution may indeed prove an ecological misadventure.

The two tendencies apprehended by the author represent, respectively, the likely spatial and temporal dimensions of the green revolution's backlash.

The first danger may arise because of the not so fully recognised environment-specific character of the HYV. Besides preventing an automatic transfer of the new technology to different regions, this tends to inject an unconscious bias against the less well-endowed regions in the allocation of national and international research and production resources for agriculture. A cursory look at the whole process of institutionalised plant-breeding programme and the noticeable concentration of development assistance and effort in the habitats of the newly-evolved seeds, are enough to convince one about the real possibility of regional imbalances being accentuated by the green revolution. The implied process of 'geographical polarisation of agricultural activity' is initiated right at the stage of the selection of initially high-yielding plants — products sympathetic environments — as against the poor yielding plants — an outcome of harsher and erratic environments — for breeding programme. Thus, the gap between regions, initially created by nature, gets re-inforced by vigorous organised scientific effort of man and is supported equally strongly by the market mechanism at several stages.

The second message or danger, relating to the likely consequences of unplanned spreads of new technology within the HYV areas, makes only brief references to the oft-repeated problems of inter-farm differences, proletarisation of small farmers, etc. In keeping with the central theme of the book, the consequences of physical and biological nature are highlighted.

Precisely because of its potential for quick and higher returns, the HYV-technology carries strong temptation for planners to overdo the same and ignore its long-term consequences. This amounts to unscientific use of science in agriculture. To take a few examples.

The concentration on a few selected crop varieties (called 'eco-types') tended to reduce the world's genetic diversity of food crops; the narrow genetic base of HYVs, on the other hand, also makes them more vulnerable to disease and failure; genetic erosion of cereals poses a serious long-term problem too

as the plant breeder is deprived of his basic 'building block' (p 83).

Imbalanced and improper use of fertilisers, besides causing a declining trend in yields, has created problems of toxicity and has proved conducive to the spread of diseases (p 65). Fertiliser responsive HYV crops, both due to their thicker foliage and their early maturing character permitting multiple cropping, have ensured increased and perennial supply of feeding stuff and have thereby contributed to the increased incidence of insect population (p 74). More use of chemicals in these crops has interfered with the biological and cultural control measures against pests and diseases (p 71).

The rush of irrigation schemes — considered necessary for success of the HYVs — may ignore the experience from the faulty designs of colonial irrigation systems. By disturbing the hydrological balance and causing soil degradation through water logging, salinity, and alkalinity, it may thus deplete the production potential of the land resources.

These, and some more likely dangers including the cultural and psychological shock, caused to the HYV-farmer due to changed activity schedule of the green revolution, are indicated — although, perhaps for want of adequate data, no quantitative data have been provided to support the views in many cases. While highlighting these potential dangers, however, the author suggests the remedial measures. The root cause of the potentially harmful consequences of the green revolution is traced by the author to the institutional forces — national and international — which determine the actual resource allocation in agriculture.

Thus, unlike several studies on the subject which attribute the failure of the green revolution to touch the 'small farmer' to micro-level institutional factors — such as tenancy, factor market imperfections, etc* — and highlight the neutral character of the new technology, this study sees seeds of discrimination against less well-endowed regions (and people) in the new technology itself (due to its environment-specific character) and blames the higher-level decision-making institutions for the indiscriminate germination and multiplication of the seeds.

The remedial measures proposed by the author then consist of suggestions for changes in the attitude and priorities (to be favourable to poor and neglected areas, crops and people) of the decision-makers, including local governments, aid-givers, international agencies and the national and international private agencies engaged in the agro-business.

The second volume by Ingrid Palmer deals with the nutritional implications of the spread of HYV. The latter being rich in carbohydrates, it is pointed out that their spread may not fit well with the United Nations Second Development Decade's protein-centred strategy against malnutrition. The author questions the misplaced over-emphasis on protein in such a stand and makes a strong case for putting calorie promotion above protein promotion for the poor countries. Despite the loud cries about the protein crisis and its role in the early stages of development particularly of the brain, medical investigation does not conclusively establish that it is protein deficiency as such that inhibits cell division (pp 19-26). Either calorific or protein deprivation can inhibit the vital cell proliferation or DNA synthesis. The relation between calorie and protein utilisation shows that when there is deficiency of both protein and calorie, protein can act as a calorie substitute but not vice versa. In fact, as the first need of the body is for energy, rather than for building of new cells, the calorie deficiency eats into protein intake for energy purposes and thereby adds to net protein deficiency (p 24). Hence any measure which increases the total calorie consumption may indirectly reduce the protein undernutrition. The HYVs can help in this respect — provided increased cereal production is accompanied by both more even distribution and increased per capita consumption.

Further, in view of the scope for breeding higher protein content into the HYVs, raising non-photosensitive cereals during the period of seasonal malnutrition in areas like parts of Africa, facilitating output growth of protein-rich pulses (even without productivity improvements in those crops) due to land saving and time saving resulting from the early maturing of the HYV crops, the HYVs have a much larger protein-promoting potential.

Nevertheless, the author cautions that, in particular circumstances, the potential advantage of HYVs for mass nutrition may not materialise — instead, "the final divorce of agriculture and nutrition through the agency of green revolution may take place (Chapter V). This may happen in the poor countries as with the introduction of HYVs there is accelerated accumulation of capital (and land), restricting access of workers on the land to the means of production and encouraging economic inequalities. As agriculture gets commercialised in these circumstances people as consumers also do not have the same access to the food.

The tendency is amply evident from the growth of acreage under HYVs, at the cost of other food crops particularly pulses, in India, Indonesia, etc. Thus far from being land savers the HYVs have proved land consumers. Not only land but overall factor allocations — owing to market forces and government blessings — have shifted in favour of HYVs. The second tendency, viz, increasing rural inequalities adversely affecting mass nutrition through a lowering of the real incomes of the poor is again very evident. Changes in production relations — i e, weakening of the informal employer-employee ties, substitution of cash for kind wage, etc, resulting as by-products from green revolution further adversely affect foodgrains consumption of some categories of the poor. With commerce getting precedence over nutrition, the gap between production and mass consumption may further widen, as illustrated by Mexico — the first country which entered the so-called green revolution in the late 1940s. During 1948-52 Mexico was a net importer of 33,360 tons (annual average) of wheat. By 1965 (despite increase in population) the country's large-scale, irrigated, tractorised wheat industry was exporting 685,000 tons a year, while 60 per cent of Mexicans, 25 years after the initiation of the green revolution, still ate maize as their staple food (p 79).

The important policy implication of the discussion is that distribution of the productivity gains of the HYVs is as important as the growth of yields, because the "problem of nutrition is not of production, but of distribution"; free market forces cannot be expected to bridge the gap between agricultural production and mass nutrition. Nutritional planning is thus seen as an integral part of economic planning for higher production and equitable distribution.

* See, for instance, another study of the UNRISD, "The Green Revolution: An Economic Analysis", by Keith Griffin.

Efficacy of Tax Incentives

'Tax Expenditure Analysis' and Its Relevance for India

Amaresh Bagchi

Nowhere, it seems, is faith in the potency of tax incentives to achieve a variety of objectives more deep-rooted than in India. The Indian Income-Tax Act bears eloquent testimony to this abiding faith.

From book publishing to family planning, not to mention fostering of investment, export promotion, agricultural development, refugee rehabilitation and scientific research, there is hardly any item on the national agenda that does not find some support somewhere in the tax statute. Almost invariably the first act of an individual or a collective body entrusted with or engaging itself in anything with a 'public' pretension is to ask for tax exemption for itself and its donors. Seldom does a committee or study group conclude its report without putting down a plea for some tax incentive among its recommendations.

What the saddling of the tax laws with the responsibility for promoting every conceivable worthy cause means to the tax administration and the tax system as a whole does not seem to be anybody's concern. No one bothers to inquire what the cost of a tax incentive is to the community, whether the incentive actually begets the intended benefit and whether allowing a tax concession is always the best method of extending state support for a particular activity.

TAXATION is widely acknowledged as a powerful instrument of state policy and every country in the world makes use of it in varying degrees to further its national objectives. Nowhere, however, is the faith in the potency of tax incentives to stimulate activity more deep-rooted than perhaps in India. The Indian Income-tax Act bears eloquent testimony to this abiding faith. From book publishing to family planning, not to mention fostering of growth, export promotion, agricultural development, refugee rehabilitation and scientific research, there is hardly any item on the national agenda that does not find some support somewhere in the tax statute.[1] Almost invariably, the first act of an individual or a collective body entrusted with or engaging themselves in looking after anything with a 'public' pretension is to ask for tax exemption for themselves and their donors. Seldom does a committee or study group required to look into specific problems of public policy conclude its report without putting down a plea for a tax incentive among its recommendations.[2] What all this — that is, saddling the tax laws with the task of promoting every conceivable worthy cause — means to the tax administration and the tax system as a whole does not seem to be anybody's concern. No one even bothers to inquire what the cost of a tax incentive is to the community, whether the incentive truly begets any benefit to the country or whether allowing a tax concession is the best method of extending state support for a particular activity.

Extensive use of tax incentive as a policy lever is certainly not peculiar to India — though some of the incentives (e g, weighted deduction for certain expenses)[3] can perhaps claim uniqueness in form as well as scale. The Internal Revenue Code of the United States is also notorious for its special provisions affording shelter to taxpayers for engaging in particular activities or using their income for certain purposes. But getting a provision for a new tax preference enacted by the US Congress is no longer as easy as it was in the past. The credit for this change of public attitude in the US to special provisions in the tax laws goes largely to public finance theorists and experts like Pechman, Musgrave and Surrey who, following the footsteps of Haig and Simons, have waged for over two decades a relentless battle against the erosion of the income tax base through the special provisions by quantifying their consequences and focusing attention on the damage they do to the entire tax structure.

During the fifties in several papers presented to Congressional committees sharp criticism was voiced against the tax incentive method of providing state aid for private activity. In one such paper, the case against 'tax subsidies' was summed up thus:

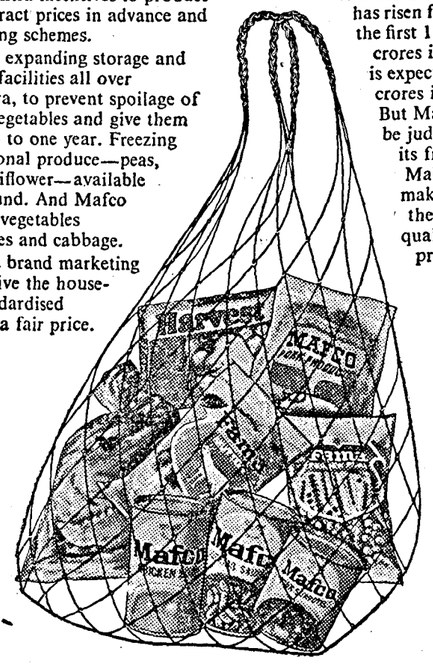
> Subsidies in this form vary directly in amount with the tax brackets of the recipients; they are invariably hidden in technicalities of the tax law; they do not show up in the budget; their cost frequently is difficult to assess. Partly for these very reasons they are likely to become fixtures which are not easily removed.[4]

In a paper published in 1957, Pechman made some estimates of the extent of erosion of the Federal individual income tax caused by the exclusions, deductions and exemptions which are not essential for effective income taxation.[5] The main finding of that study was that "the eroding features of the 1954 tax law reduced the yield of the individual income tax by one-third and that a comprehensive income tax could yield the same revenue with rates that were on the average one-third lower than the rates then in effect". Similar studies were carried out by others. Mounting pressure of public opinion impelled the authorities to move for reforms culminating in the Tax Reform Act of 1969. That Act did not go far. A recent study carried out by Pechman jointly with Okner shows that the position revealed by the 1957 study is not very different now.[6] But the labours of the experts have not gone entirely in vain. Apart from helping the public and the policy-makers to evaluate the special provisions in the Revenue Code from a new angle and thereby create a climate for reform — to which several popular level writings also contributed ably[7] — the findings of the academicians and others working in the field led the authorities to curb the tax privileges by levying a minimum tax on exempt incomes which was replaced in 1973 by a scheme of 'minimum taxable income'. More important, the pressure of public opinion to which experts

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like Surrey, former Assistant Secretary of the US Treasury, lent support, compelled the US Treasury Department to undertake a detailed study of the Federal Government's expenditure implicit in the system of tax incentives. The study first published[8] in 1968, "described and quantified the special provisions of the federal income tax system which represent Government expenditures — tax expenditures — made through that system to achieve various social and economic objectives".[9] Subsequently, the Joint Economic Committee through its Subcommittee on Economy in Government recommended the inclusion of such an analysis in the Federal budget to make it more comprehensive.[10]

Some of the facts brought out by the US Treasury's Tax Expenditure Analysis (TEA for short) were found to be quite startling. It showed for the first time that for some activities the tax expenditures, that is, the subsidies implicit in the tax concessions, exceeded or were close to expenditures openly budgeted for through the departments concerned with those activities (Community Development and Housing, 204 per cent; Commerce and Transportation, 114 per cent; Natural Resources, 90 per cent; Health and Welfare, 37 per cent).[11] Barring National Defence and Veterans, for none of the categories listed was the 'tax expenditure' less than 10 per cent of what was budgeted for explicitly.

What lends significance to the TEA, however, is not simply the magnitude of the expenditures concealed in the tax incentives, but the way it shows of appraising the special provisions in the tax statute. When presented in terms of direct expenditures, many of the incentive provisions show up "as either inequitable, often to the point of being so grossly unfair as to be ludicrous or ineffective".[12] In the US context it revealed for example that the five-year amortisation allowed through the 1969 Reform Act for expenditure on rehabilitating low-income housing meant loaning money for rehabilitation purposes at 3 per cent interest to wealthy persons but at 7-8 per cent to poor people.

Though inadequate as a measure of the social costs involved, this, as Surrey comments, is often sufficient to highlight the inadequacy of the tax route. The merit of the approach lies in underscoring the point that "whatever are the cost-benefit analysis, other analytic techniques available for examining direct expenditure proposals those techniques are equally pertinent to tax expenditure proposals".

II

The Indian Scene

No one familiar with the Indian tax scene would fail to perceive how urgently the Indian income tax needs the TEA approach to appraise its special provisions, quite a few of which in effect benefit only narrow interests, in order to weed them out and to put a step to the ever-increasing demand for more. Despite a plethora of such provisions in its direct taxes laws there is little evidence in India of any awareness of the cost that such provisions entail to the community in terms of government revenue lost, not to speak of the indirect burdens. Barring one or two stray instances — like Gulati's attempt to estimate the revenue cost of retaining the Hindu undivided family as a tax unit,[13] Krishnan's study of what a less exemption-ridden wealth-tax in India could yield and Jhaveri's estimates of the "tax saving" resulting from incentives for personal saving[14] — there is hardly any systematic attempt to quantify the effects of the special provisions. What one comes across in the Press and in public discussions is grossly one-sided, *viz*, how oppressive the tax structure is and how obstructive the direct taxes are of growth. Even in most of the expert writings, stylised models are set up to show how the tax rates depress the yield to make it unremunerative to work, save or invest, with little regard to the presence of the sumptuous exemptions and deductions that are available to taxpayers of most categories. Proposals for any extension of the area of tax benefits are therefore regarded as welcome by everybody whoever be the real beneficiary and whatever be their actual influence on the activity they are supposed to sponsor. Small surprise that such proposals always go through virtually unopposed. By stressing the cost aspect the TEA technique would compel attention on the provisions of the tax laws which emasculate the system in ways that do not come to public notice.

In the Indian context, the TEA, if it is to afford a proper cost-benefit perspective, has to be based on a broader concept of cost than has apparently guided the US Treasury's estimates of tax expenditure. The US estimates furnish the 'first order' effects by way of the tax benefit received by the taxpayer. Going beyond first level changes of course involves practical as well as conceptual problems. But the first order effects would be incomplete or inadequate for the purpose on hand unless two things are taken into account: first, the possibility of spurious claims being put forward under cover of the incentive provision in question; in other words, the extent to which the provision facilitates avoidance and evasion; and, secondly, the additional burden of compliance and enforcement attributable to the operation of the special provision in the law. With a streamline administration like the USA's, overlooking these elements in estimating costs may not be of much consequence. But in a country like India, where tax morality is ever so low and administrative streamlining remains a distant goal, these elements of cost can make a lot of difference. A little examination of the way some of the deduction provisions of the Income-tax Act, 1961 are operating in practice would show how serious the impact of these factors can be on the cost to the community.

III

Take, for instance, Section 80 MM of the Act. This section was put into the Income-tax Act through the Finance Act 1969 to provide for a deduction of 40 per cent of the Income received by an Indian company by way of royalty, commission, fees or any other payment (not being chargeable under the head "capital gain") from any person carrying on a business in India in consideration for,

> "(i) the provision of technical knowhow which is likely to assist in the manufacture or processing of goods or materials, or in the installation or erection of machinery or plant for such manufacture or processing, or in the working of a mine, oil well or other source of mineral deposits or in the search for, or discovery or testing of, mineral deposits or the winning of access to them, or in carrying out any operation relating to agriculture, animal husbandry, dairy or poultry farming, forestry or fishing, or
> (ii) rendering services in connection with the provision of such technical knowhow"

under an agreement approved by the Central Board of Direct Taxes within a specified time.

The aim underlying this provision was stated to be "to minimise the repetitive import of technical knowhow from abroad and also encourage In-

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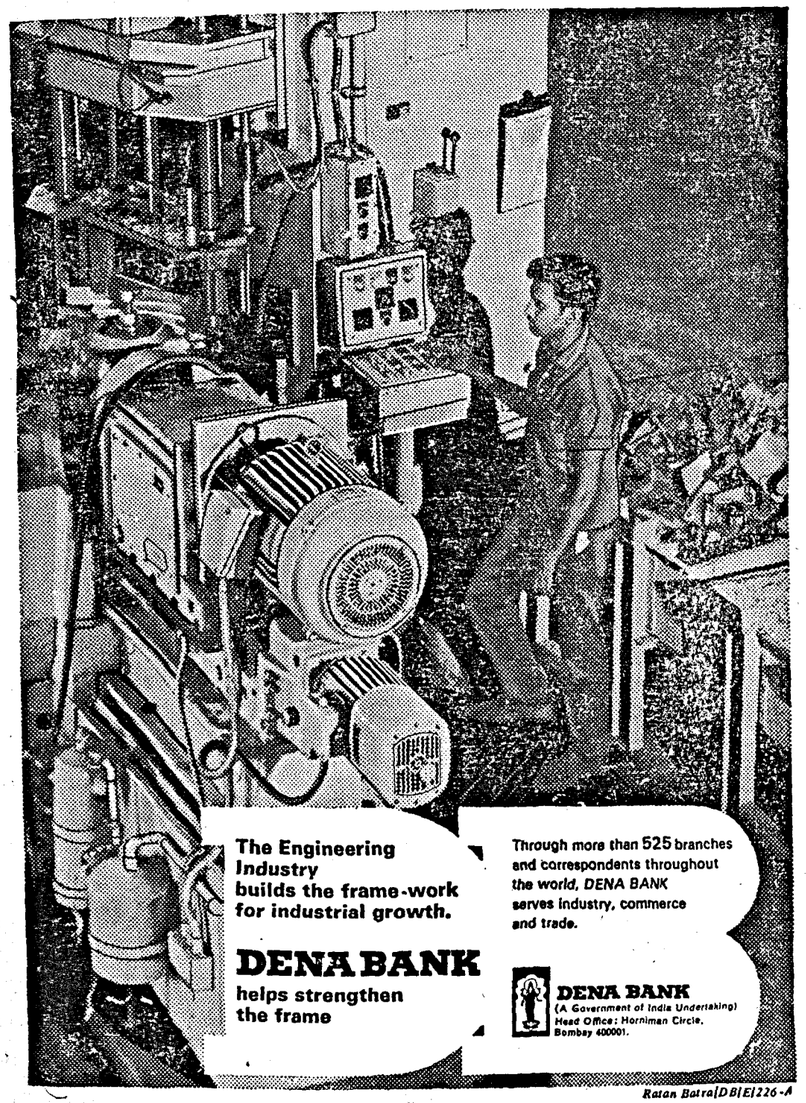
dian companies to develop their technical knowhow."[15]

Development and dissemination of technical knowhow is no doubt essential for economic growth. But is a tax incentive like this the most efficient way to secure that objective? To look at the costs first, it does not take long to see that even with the best of efforts the benefit of the deduction cannot be kept confined only to those for whom it was intended. For what, after all, is "technical knowhow" and what does its "provision" mean? The operative part of the section shows that it applies to anything that assists in manufacturing, processing or exploration over a wide field. By way of clarification, a sub-section spells out what "provision of technical knowhow" means. But that helps little to delimit the area of its operation. For it is stated that not only the transfer of any right in respect of a "patent, invention, model, design secret formula or process a similar property" or the permission to use such patent design, etc, but the transmission of any information pertaining to the patent, invention, etc, will constitute supply of knowhow.[16] The "imparting of any information concerning industrial, commercial or scientific knowledge, experience or skill" also answers to the description of "provision of the technical knowhow". Now "information" concerning the working of or the use of a patent, design or concerning industrial, commercial or scientific knowledge, etc, is wide enough to include even a set of routine instructions regarding the use of a machine or a process. Anyone selling anything that helps even remotely to produce something can therefore claim to have provided technical knowhow and ask for the deduction if only he takes care to hand out an elaborate formula even though that divulges no secret or even if it contains nothing that is not already common knowledge. What, for instance, prevents the manufacturers of ordinary electric motors from asking for the deduction in respect of their sale of motors to farmers using them for irrigation. Execution of ordinary contracts for supply and erection of machinery can also pass for sale of technical knowhow. It would not be wild to imagine that spurious "consultancy" concerns which perform no real function except siphoning off the profits of big companies would be reaping a windfall along with many others. There is of course the stipulation that the provision of the knowhow must take place under a contract duly approved by the Board of Direct Taxes. But that Board has to act within the terms of the section and, the ambit of knowhow as set out in the Act being wide, disputes are bound to arise over its application in individual cases. In fact some companies have already moved the courts in writ petitions challenging the legality of the government's refusal to approve contracts that would entitle them to claim the benefit of this section.[17]

Whatever be the view the courts finally take in particular cases, it is clear that a large section of taxpayers will profit from this provision without doing anything to help the cause contemplated. Another segment of taxpayers for whom the benefit would be a windfall are those who would have sold their knowhow anyway. And, as is inevitable with such provisions, access to this benefit which was originally restricted only to Indian companies was enlarged to permit any person resident in India to go in for the concession. Failure to take full advantage of the section on the part of the ignorant or the innocent will only compound the costs *via* damage to the equity of the system. Presumably, sensing the possibility of misuse, the authorities have once again sought to limit the scope of the deduction only to Indian companies.[18]

That is not all. For a complete picture of the costs one has also to consider the burden of compliance and enforcement. Taxpayers transacting their business in the ordinary course will now seek the services of tax advisers to explore ways of availing this benefit. Voluminous agreements will now be drawn up to document the transfer of "knowhow" where none was needed before. Air trips will be made to Delhi by assessees and their advisers to plead their cases before the concerned authorities and their cost, being all in the course of business, will be deductible from their taxable income. Even if they happen to be "capital" in nature claims will certainly be made for their deduction as revenue expenditure. On the government side, scrutiny of contracts and looking after court cases would require the attention of adequate staff. Moreover, officers in the field have to familiarise themselves with the implications of the provision to be in a position to administer it. To throw light on how it will be applied the CBDT has issued an elaborate circular on the subject running into several pages.[19] All officers of the tax department have to study and note its contents carefully as any slip-up carries the risk of strictures from audit and punishment from above. The result is at least some aggravation, however slight, of the already serious tension to which the tax collectors are unavoidably exposed. The cost of a straw on the camel's back may not always be quantifiable but failure to take it into account may be fatal.

So much for the costs. What about the benefits? To judge the efficacy of the measure in achieving its objective it is necessary first to investigate the causes inhibiting the diffusion of technical knowhow in the country. That raises complex issues beyond the scope of this paper touching on the dual (or multiple?) character of our economy with a small organised sector and a large unorganised sector and weak links between the two.[20] It may however be safely asserted that a major inhibiting factor is the oligopolistic market structure of the economy. When there are monopoly profits to reap one who is in exclusive possession of a knowhow is not likely to sell it to others instead of using it himself. In principle, a tax concession by altering the relative profitability of the alternative uses of knowhow may provide an inducement for its sale by those who happen to possess it. But with strong influences working against the growth of competition such as the imperfections of the capital market a tax incentive like this is unlikely to be of much avail. Where competition is restricted, few would like to lose their market whatever be the immediate gain. Moreover, where production of luxury consumption goods fetches large profits and indigenous innovations tend to concentrate in this sector, an unselective price incentive for spread of technology might serve to encourage production of these commodities more than that of others, which may not be in accordance with the desired growth pattern. Technology of fancy furniture-making, for instance, may spread. But would that be conducive to growth? Even though prior approval of the contracts is stipulated as a condition, tax authorities are neither empowered nor can they be in a position to discriminate between the claims for concession on such grounds. In any event, what constitutes the core of a knowhow and whether in a given case a real transfer of knowhow is taking place are matters best left to experts to decide rather than to tax administrators. Even with the best of care spurious claims are bound



to get through. If the incentive is to go only to the deserving, it has to be administered through direct subsidies supervised by experts. The costs of providing it through the tax system are likely to be much too high to be justified by the benefits.

IV

Another instance where a tax incentive results merely in conferring a windfall on some taxpayers, enlarging avoidance possibilities and adding to costs of enforcement can be found in Section 35 B of the Act. This section permits a deduction from taxable profits on account of expenses on export market development to the extent of 1-1/3 times the actual expenses.

Development of exports is undoubtedly one of our urgent tasks and publicity can play an important part in this task though what perhaps matters more in this field is the level of production costs as compared to their international level and restraint on internal demand for goods that have a market abroad. Anything that has the effect of compromising the progressiveness of the direct taxes serves in a way to harm exports by strengthening the consuming power of the rich. That apart the weighted deduction in question is so wide in its scope that it almost constitutes an ideal avenue for avoidance. The expense items qualifying for the deduction as listed in the section include not only advertisement or publicity outside India in respect of the goods, services or facilities which the assessee dealing in it provides "in the course of business", cost of maintenance of a sales office or agency abroad and travelling outside India for sales promotion, but the expenditure on almost any activity ancillary to the export of goods and services. Payments made to foreign agents on account of commission on export sales also seem to come within the scope of weighted deduction though according to the Audit such payments are not covered by the said provisions.[21] The expenditure need not always be incurred directly by the taxpayer himself. A claim can be made for weighted deduction for expenditure on such activities even if these are incurred in association with others.

A clarificatory circular has been issued indicating the conditions under which claims for the allowance in respect of expenditure incurred by a taxpayer through some other person or organisation would be entertained. "To facilitate verification", it is stated, "it is necessary that proper accounts are maintained in respect of expenditure incurred by an association or body with reference to which the allowance under Section 35B (or 35C) is claimed."[22] But how do the authorities make sure that the expenditure undertaken abroad, for which the section is invoked in a given case, was incurred genuinely for exports especially when only a remote connection with supply of goods abroad suffices for eligibility? Where verification is so difficult, it would seem wiser to go by results as the best index of effort put in. The quality of publicity is best judged by the volume of exports. Handsome rewards are available for exports in other direct forms. Why not raise the scale of such rewards if they appear inadequate? Tax incentives for exports were tried in the recent past and these were withdrawn on the devaluation of the rupee. Presumably the export market development allowance was intended to encourage search for new markets. But, as we have seen, the tax route seems too costly to be justifiable for the purpose. Currently, the weight of this allowance is proposed to be raised from 1-1/3 to 1½ times the expenditure.[23] Those who can avail of this deduction will then get nearly the whole of their expenditure incurred outside India for purposes other than material purchase substantially reimbursed by the government if the expenditure can be linked somehow to exports. For every Rs 100 spent under this head an exporting company would earn a tax saving of more than Rs 80. Even a 100 per cent direct subsidy would be cheaper in the long run being less amenable to misuse. That would also save the tax department from the additional bother of impossible policing.

V

Some of the deduction provisions favour relatively small groups of taxpayers. One such provision is section 80R which permits deduction of 50 per cent in respect of remuneration of certain foreign sources (like a short assignment in a foreign university) in the case of Indian professors, teachers and research workers. It is difficult to see the rationale of this provision from any point of view. Invitation from foreign universities is an honour few in this country at any rate like to turn down and the urge for going abroad in the case of professors hardly needs a tax incentive. In many cases, they are paid handsome amounts in the form of daily allowances that cannot be touched by the income tax collector being part of the "cost of earning". Referring to the origin of such narrow preferential tax provisions in the US Internal Revenue Code, one author comments: "A single taxpayer or a small group of taxpayers may convince Congress to enact a tax provision specially tailored to fit the taxpayer's own needs."[24] As was to be expected, the benefit contemplated under Section 80R for visiting teachers and researchers was partly extended two years later to authors, and artistes too.[25] The cost of such privileges may not be much in money terms but, as the commentator mentioned above put it, "preferences afforded to small groups or individuals are especially likely to upset taxpayer expectations that the tax laws expand and contract according to neutral principles unrelated to the identity of those advantaged and disadvantaged".

Even when the rationale is not in doubt, many of the provisions require reappraisal in the light of the experience gained in their working, as for example, section 80J which provides what is called a 'tax holiday' for new industrial undertakings. Dating from 1949, this provision is designed to apply only to new units of industrial undertakings and the benefit is available in the shape of a deduction from taxable income for the first five years to the extent of six per cent of the capital employed. Through successive amendments the scope of the section has been widened to include not only new industrial undertakings but ships, certain types of hotels and also cold storages. At first the provision benefited only those who earned adequate profits in their early years — for which there was obviously some point in that inefficient firms were automatically debarred from the reward. This merit was lost in 1967 when carry-forward of the deduction permitted in this section was allowed for a specified period, if unabsorbed in the initial years.

Since investments carry many external economies[26] there is a case for government support for private investment. The capital allowances and tax benefits for expenditure on scientific research derive their rationale primarily from this consideration. The stress on newness of the industrial undertaking would seem to indicate that the objective of this section was not only promotion of industrial growth but diversification through development of new lines of activity. Pursuit of these twin objectives with one instrument like this provision has however proved difficult and in fact has resulted in inequity apart from causing

constant headache to the administration.

Conditions of eligibility prescribed for this benefit require, *inter alia*, that (i) the undertaking should not be formed by splitting up or reconstructing an existing one and (ii) it should not be formed by transfer of building, plant or machinery previously used except as a specified fraction of the aggregate fixed assets of the undertaking. Whether a given undertaking is new or merely a reconstructed one being a crucial test has been a potent source of dispute and despite several decisions on the point no satisfactory general principle has emerged, much depending on the facts of each case. Thus, when a company manufacturing boilers, machinery parts and wagons sets up a steel foundry division and jute mill division to manufacture machinery-plants required for its original business, one High Court held that the profits of the foundry and jute mill division were not entitled to tax holidays as their creation amounted to "reconstruction"[27] whereas, the same Court held in a subsequent case where the taxpayer, a manufacturer of aluminium ingots at four centres, opened a new centre and also extended its factories at some of the existing centres, that the expansions constituted a "new industrial undertaking".[28] One of the reasons advanced by the Court for distinguishing the case of the aluminium company from that of the machinery manufacturer was that by setting up the foundry the latter had merely sought to make the parts required for its main business which was already existing. Similarly, when a sugar manufacturing company overhauled its old unit to set up a new, expanded one, another High Court held that there was no reconstruction and a new industrial unit had come into being.[29] But when a book publishing concern which used to get its books printed elsewhere, set up its own printing press, the same High Court had held that no part of the profits was entitled to the benefit of tax holiday as the printing business was not 'new'.[30] If the test had been simply whether the taxpayer's activity had developed along a new line, that is whether diversification, had taken place, clearly the machinery manufacturing company and the publishing concern should have got the concession and the others denied it whereas the very opposite took place. The tests applied by the court are evidently based on considerations irrelevant to the objectives and has frustrated the intended purpose, if it is assumed that diversification was the aim. If, however, the intention was to encourage fresh investment, irrespective of whether any new product is manufactured then all the four taxpayers should have received the benefit.

What constitutes 'capital employed' has also led to many disputes. Do all reserves form part of capital or only some of them? If only some, which ones? An elaborate formula for computation of capital for this purpose has been laid down in the rules. But together with the main section, this rule is one of the most confounding spots of the Indian income tax law. Distinguishing between a new or additional unit set up by an industrial undertaking and extension of its existing units has proved extremely difficult and not surprisingly there are sharp differences of opinion between tax authorities and assessees and also between tax authorities and the Audit. An illuminating example of the hazards of administering this provision is provided in a recent report of the Public Accounts Committee. Even the circular issued by the CBDT on the subject was commented upon by the Committee as not in conformity with the law![31] The Working Group of the ARC on Direct Taxes also had commented, "that the application of this elaborate procedure has not been understood properly by the officials of the Income Tax Department is clear from the number of mistakes committed which has come to the notice of the Public Accounts Committee".[32]

To simplify the procedure and ensure uniformity, the said Working Group suggested that the profits eligible for deduction should be computed at the specified rate with reference to paid up capital instead of "capital employed". But that would not remove the difficulties created by the insistence on newness of the undertaking. Perhaps a better method would be to tie the tax holiday to net investment in fixed assets financed by the taxpayer's own capital. But that would in effect be equivalent to a capital allowance like the development rebate. In the context of growing unemployment, need is felt increasingly for incentives to promote employment-generating investments. The incentives allowed so far have tended to encourage investment in capital intensive methods and even generate excess capacity. It thus needs to be considered whether it would not be preferable to reorient the tax holiday provisions to support investment with the maximum potential for employment. Consideration of the alternatives in this regard would take us too far afield. The point to note is that all such alternatives carry a cost, and in judging which one is the most paying in terms of benefit to the community all the elements of cost should be kept in mind. The tax holiday should preferably seek to achieve one basic objective instead of many at a time. Thus if employment creation is taken to be the prime objective, no attempt should be made to aim at diversification as well through the same provision. For, as experience shows, when too many things are sought to be achieved through one provision, none of the aims is served well. On the contrary, positive harm — such as inequity — results. By focusing attention on costs the TEA compels continuous reappraisal of the incentive provisions and spurs the search for better alternatives or improvement of the existing ones.

VI

For some of the deductions the cost burden has grown over time beyond what was originally anticipated as a result of changes made in the relevant sections and their interpretation based on considerations unrelated to their basic purpose. Whether the economic (or social) merit of the provisions is still worth their cost needs to be considered afresh through an explicit recognition of the enhancement that has occurred in the cost through this process. This is the case with section 80M which permits deduction of a specified fraction of intercorporate dividends. Designed to alleviate the element of 'double taxation' in taxing the dividend income received by companies on their investments in other companies, this provision was brought into the statute book in 1967 (wef 1.4.1968) to replace the system of taxing intercorporate dividends at concessional rates by a provision for straight deduction from taxable income.' This was among the simplification measures taken on the recommendation of the Bhoothalingam Committee. The decision to simplify, it might be presumed, did not signify any desire to enlarge the benefits except marginally where unavoidable. Yet this is what has occurred at least in the case of intercorporate dividends.

Take, for instance, a domestic company with a dividend income of Rs 3 lakhs in a year from its shares in other companies. Suppose, the company incurred a loss in business of Rs 2 lakhs so that after setting off the loss its next taxable income works out to Rs 1 lakh. Before simplification such a company was required to pay around Rs 23,000 as tax, (i e, at a concessional rate on Rs 1 lakh, being the intercorporate dividend net of other losses), whereas, after the simplification, it does not have to pay any tax at all. This is because, as per current interpretation, the deduction of 60 per cent allowed on intercorporate dividend is to be calculated with reference to the gross amount of the dividend and not the net amount which falls to be taxed after setting off losses, etc.[34] There may of course be a good case for further liberalising the tax treatment of intercorporate dividend but that requires a substantive decision by the legislature. If the process of simplification results inadvertently in enlarging a concession, the TEA would serve to bring that out though only partially for as in the case of intercorporate dividend, even that would not shed any light on the avoidance opportunities opened up in the process (e g, by manipulating the timing of loss realisation as between investment companies).

VII

An annual TEA would also have the wholesome effect of pointing to the urgency of organising a better data base so that the provisions long on the statute book can be subjected to meaningful study. Two such provisions are (1) deduction for saving in specified media like life insurance and provident fund;[35] and (2) deduction for contribution to charities.[36] Though, as stated, the provisions have long been in operation and account for sizeable diminution of the tax base we have no precise idea of what their revenue cost is. Sometime ago there was a debate on the probable dimensions of the cost of savings incentives in income tax but there was a sharp divergence of opinion.[37] The figure shown in the All-Income Revenue Statistics under this head does not provide any clue as it does not cover all salary earners liable to pay income tax. Many of them do not submit any return and are not formally assessed, their tax being deducted at source, and thus do not come up for inclusion in the tax statistics even though they may be paying income tax and enjoying the concession for saving in specified media.

The inequity and inefficiency of this system of providing incentives for saving can be seen easily. A taxpayer earning over Rs 1 lakh gets a tax benefit of as much as Rs 920 if he puts into his insurance a paltry amount of Rs 1,000 which he can save without any hardship.[38] Moreover, most of the savings of the taxpayers in the lower brackets being in contractual form, e g, provident fund contribution and life insurance premiums are either made on compulsion or on considerations other than the return on the savings. Their responsiveness to such incentives is thus unlikely to be high. Worse still, the existing relief scheme contains no check to ensure that the saving for which tax reduction is allowed is not frittered away through loans taken against such accumulations (borrowing from provident fund, etc). Similar questions might be raised about donations to charity particularly those for places of public worship.[39]

If subjected to scrutiny in the light of their cost and benefit, many of the provisions in our income tax law would probably be found wanting. A quick survey suggests that the whole of Chapter VIA consisting of section 80A to 80U deserves to be scrapped except perhaps three or four like those granting deduction for savings, long-term capital gains and income of the handicapped. Even the provisions which appear to stand the test call for modification to serve better their underlying objectives.

The TEA has its limitations. It is open to criticism on conceptual grounds since it presents only first order effects and takes no notice of behavioural changes of the taxpayers as a result of the incentives.[40] Besides, it raises tricky definitional problems. Which provisions of the tax laws are special provisions and which are integral to the tax statute? If departures from an ideal base are sought to be mapped in this way, the ideal needs to be selected first and that opens up room for sharp differences of opinion. For all its shortcomings, however, the TEA furnishes a useful tool of looking at provisions in the tax law that cater only to the interest of special sections or groups of taxpayers. The operational significance of the TEA — and, as one author, observes, that is the principal lesson to be derived from this approach[41] — lies in indicating that tax concessions are inferior devices for implementing purely non-tax objectives, the most important of which is to curb private demand in order to provide resources for public use.

It is not denied that tax incentives can be useful for certain purposes but they should be used sparingly for the costs of such incentives are usually likely to be higher than under alternative methods. The idea that the tax route may be simpler is often erroneous. Had there been adequate cost-consciousness, the cumberous provisions of Tax Credit in Chapter XXIIA and XXIIB of the Act most of which were suspended within a short period would not have found their way into the statute. The cost of these experiments in terms of revenue loss may not have been significant as probably few were aware of the existence of the incentives but the damage caused to the simplicity of the system was not negligible. Caution against indiscriminate use of tax incentives was sounded in this country by Bhoothalingam,[42] and the ARC too.[43] Their recommendations helped to arrest the expansion of the tax shelter, but only to a limited extent. There is however need for subjecting the existing provisions and any new proposal to a more exacting cost-benefit analysis. It is heartening to note that a directive to subject to such an analysis many of the provisions of Chapter VIA was given by the Public Accounts Committee in one of their recent reports.[44]

In sum, the case against tax expenditure rests not so much on the fact that they are not always effective — efficacy of selective incentives cannot be doubled — but on the strong probability that the losses often outweigh the gains, and worse still, this method affords no clear picture of the extent of loss and gain. In developing countries, anything that adds to the strain of the tax administration involves a social cost. Friedman said some time ago the loss to revenue arising from the tax concessions does not always represent a corresponding gain to any taxpayer group. They may be just 'deadweight losses'.[45] To show that for a given objective the tax incentive method is superior, to quote Surrey again, "as a generalisation the burden of proof should rest heavily on those proposing the use of the tax incentive method".[46] The case against the tax expenditure method is best put forward in the following observations of Surrey :

> "I think it unlikely that clear advantages in the tax incentive method will be found. Moreover, I stress strongly that the advantages must be clear and compelling to overcome the losses that accompany the use of the tax incentive. The problems of achieving a well-structured incentive are in themselves formidable. Even assuming that such problems as unfairness and windfalls are overcome, there are still the losses and drawbacks we have described; confusion and divided authority in the legislative and administrative processes; difficulties in maintaining budgetary control, confusion in perceiving and setting national priorities and dangers to the tax structure itself." (p 47)

Notes

[The views expressed here are purely personal. The author is indebted to

Krishna Bharadwaj and S K Rao for helpful comments.]

1 *Vide Sections* 80QQ; 36(1)(ix); 80J; 35B; 35C; 80H; and 35 of the Income Tax Act 1961 (referred to hereafter as the Act).
2 See for example, Report of the *Committee on Unemployment*, Ministry of Labour and Rehabilitation (1973), paras 6.32, 6.33, 6.36, 6.39, 6.40, 6.41, 6.56, 6.66 and 8.40.
3 Sec 35B of the Act.
4 Walter J Blum, "The Effects of Special Provisions in the Income Tax on Taxpayer Morale", in Joint Committee on the Economic Report, Federal Tax Policy for Economic Growth and Stability, 84th Congress, 1st *Session* (1955), p 251.
5 Joseph A Pechman, "Erosion of the Individual Income Tax", *National Tax Journal*, March 1957.
6 Joseph A Pechman and *Benjamin* A Okner, "Individual Income-Tax Erosion by Income Classes", in "The Economics of Federal Subsidy Programs", Papers submitted to the Joint Economic *Committee* (1972).
7 See for example, Philip M Stern, "The Great Treasury Raid", Random House, 1962.
8 Secretary of the Treasury, *Annual* Report of the State of the Finances.
9 Stanley S Surrey, "Federal Income Tax Reform: The Varied Approaches Necessary to Replace Tax Expenditures with Direct Governmental Assistance", 84 *Harvard Law Review*, 352 (1970).
10 *Ibid.*
11 Stanley S Surrey, "Tax Incentives as a Device for Implementing Government Policy: A Comparison with Direct Government Expenditure", 83 *Harvard Law Review*, 705 (1970).
12 Surrey, *op cit*, 84 *Harvard Law Review* (1970), 361.
13 I S Gulati and K S Gulati, "The Undivided Hindu Family: A Study of *Its Tax Privileges*", *Asia*, 1962, and I S Gulati, "HUF Tax Avoidance Revisited", *Economic and Political Weekly*, February 17, 1973.
14 T N *Krishnan*, "Taxation of Property and Net Wealth in India: A Note", *Economic and Political Weekly*, January 1, 1972; N J Jhaveri, "Tax Exemption on Personal *Savings*", *Economic and Political Weekly*, October 17, 1970.
15 Explanatory Memorandum on the Finance Bill 1969, paras 55-56.
16 Sec 80 MM Subsection (2).
17 One writ petition on this issue has been filed before Delhi High Court.
18 Finance Act 1974, Section 7.
19 Circular No 124 dated 13th November, 1973 of Central Board of Direct Taxes.
20 See for a discussion bearing on the question Krishna Bharadwaj, "Notes on Political Economy of Development", *Economic and Political Weekly*, Annual Number 1972.
21 Report of the Comptroller and Auditor General of India (1972-73), Union Government (Civil), Revenue Receipts, Vol II, para 20 (b).
22 Circular No 28, dated 16th August, 1969, of CBDT.
23 Direct Taxes (Amendment) Bill, 1973, clause 6.
24 "Tax Equity and Ad Hoc Legislation", 84 *Harvard Law Review*, 640, Notes.
25 Sec 80 RR of the Act.
26 Kenneth J Arrow, "The Economic Implications of Learning by Doing", *Review of Economic Studies*, Vol 29 (1962).
27 Calcutta High Court in CIT *vs* Textile Machinery Corporation, (1971) 80 ITR 428.
28 CIT *vs* Indian Aluminium Co Ltd, (1973), 88 ITR 257.
29 Delhi High Court in CIT *vs* Ganga Sugar Corporation Ltd, (1973), 92 ITR 173.
30 CIT *vs* Naya Sahitya (1972), 84 ITR 567.
31 Fifty-first Report of Public Accounts Committee, Fifth Lok Sabha 1972-73, pp 74-76.
32 Report of the Working Group on Central Direct Taxes Administration, Administrative Reforms Commission (1969), para 5.22.
33 *Ibid.*
34 Circular No 58, dated 15th April 1971 of CBDT.
35 Sec 80C of the Act.
36 Sec 80G of the Act.
37 I S Gulati, "Agenda for Tax Base Reform", *Economic and Political Weekly*, May 15, 1971, "Comment" by N J Jhaveri, *Economic and Political Weekly*, July 17, 1971, "Reply by Gulati, *Economic and Political Weekly*, October 16, 1971.
38 M P Chitale, "Tax Incentives for Saving and Investment", *Economic and Political Weekly*, March 17, 1973.
39 *Cf*: "It is an open secret that a good deal of the earnings [of temples] are appropriated by members of the management and the so-called trustees ... As things are many of the rich temples are not prepared to use their earnings even to build rest houses for pilgrims", *Times of India*, 'Current Topics', December 14, 1973.
40 For a discussion of the conceptual problems see, Boris I Bittker, "Accounting for Federal Tax Subsidies", in *National Tax Journal*, June 1969; "Response", by Surrey and Hellmuth and "Reply" by Bittker in *National Tax Journal*, December 1969.
41 William D Andrews, "Personal Deductions in an Ideal Income Tax", *Harvard Law Review*, 309 (1972).
42 S Bhoothalingam, Final Report on Rationalisation and Simplification of the Tax Structure, Government of India, (1968), para 2.2.
43 Report on Central Direct Taxes Administration, *ARC* (1969), Recommendation No 13.
44 Report of the Public Accounts Committee (1972-73), *op cit*, para 7.15.
45 Milton Friedman, "Personal Income Tax Reform", *Newsweek*, June 12, 1972.
46 Surrey, *op cit*, 83 *Harvard Law Review*, 705, 734 (1970).
47 *Ibid.*

Escorts

ESCORTS' sales rose to over Rs 50 crores in 1973 from Rs 40 crores in the previous year. The Directors of the Company have recommended a dividend of 14 per cent this year on equity shares against 12 per cent in 1972. The Directors have also recommended, subject to approval of shareholders, Controller of Capital Issues and Industrial Finance Corporation of India, the issue of bonus shares in the ratio of one share for every two shares held.

In spite of higher costs of industrial inputs and increase in wages, the Company's profit before tax in 1973 shot up to Rs 295 lakhs as against Rs 171 lakhs in the previous year after providing for depreciation and interest. Profit after tax was Rs 128 lakhs against Rs 74 lakhs in the previous year. It is expected that a part of the dividend will be free of tax under section 80 of the Income Tax Act.

The Company sold 7,500 tractors in 1973 as against 6,000 in the previous year. The sales performance of the Yellowline range of industrial equipment was also a considerable improvement over that of last year — Rs 233 lakhs against Rs 146 lakhs in 1972. Production of motorcycles and scooters during the year, however, remained almost the same as in 1972, largely because of a six-week strike by workers. The International Division's exports rose by more than 50 per cent over the previous year — Rs 50 lakhs in 1973 against Rs 30 lakhs in 1972.

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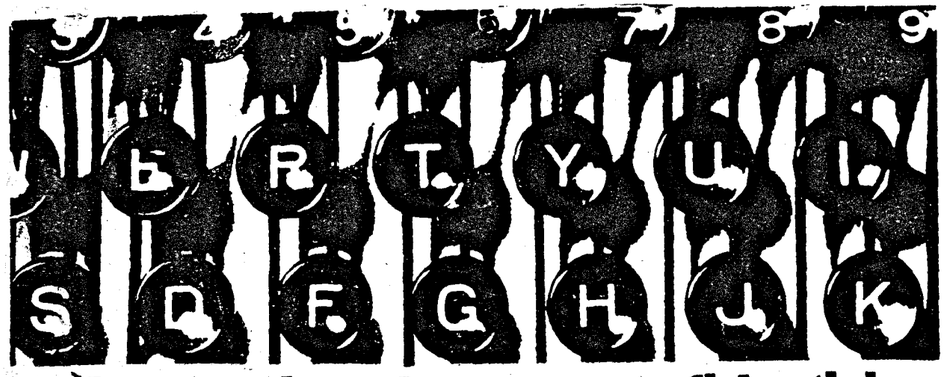


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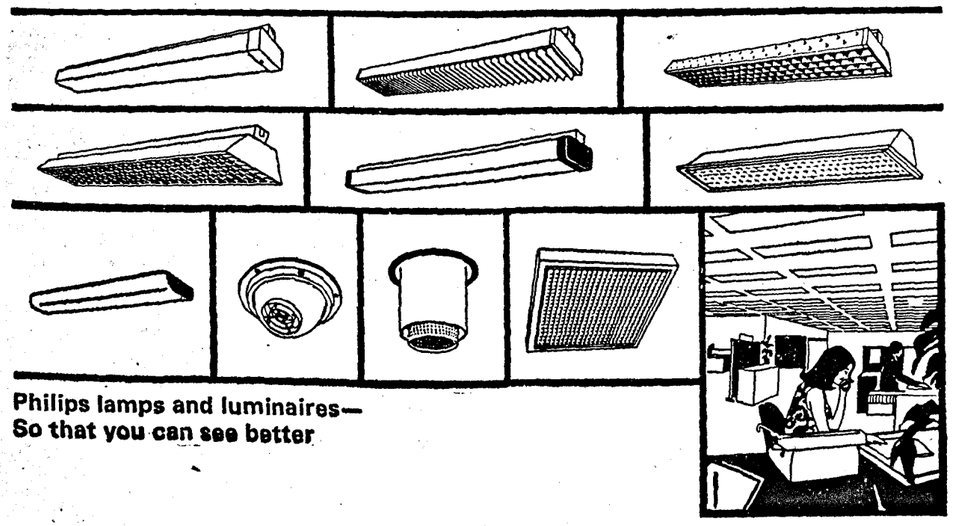
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SELL-OUT ON AID

WORLD MONEY: MORE FLOATING

THE UPROOTED IN MANIKGHAD

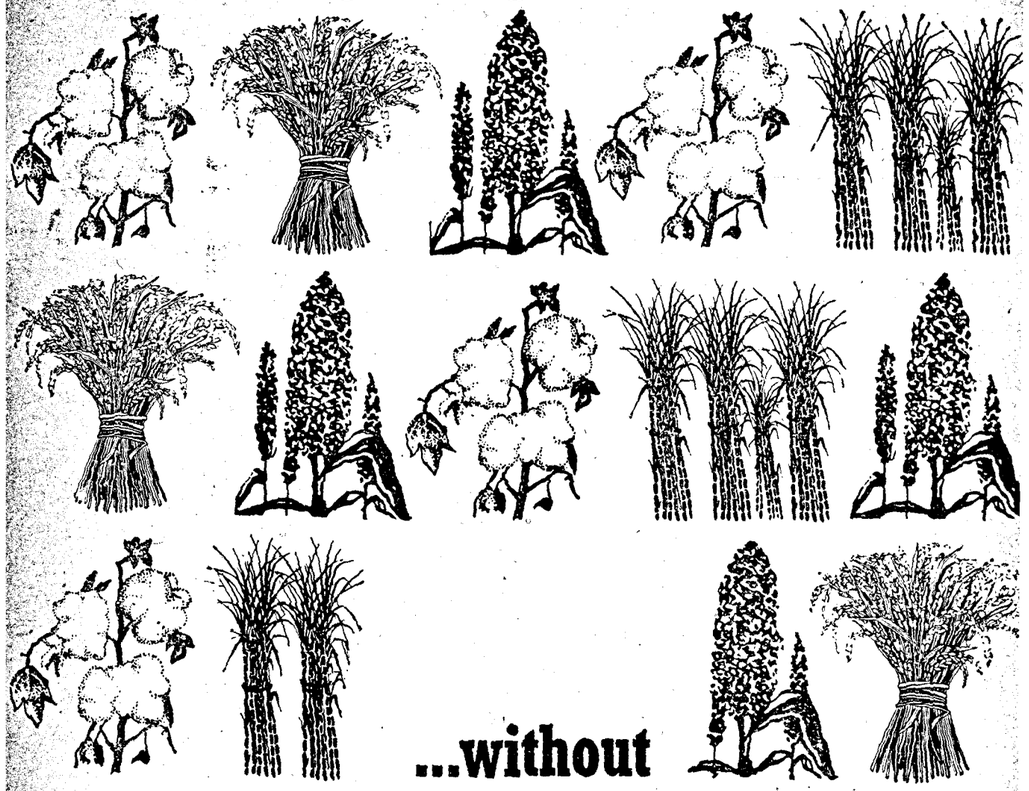
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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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The Twice-Blessed

A GROUP of economists had submitted a 'Memorandum on a Policy to Contain Inflation' to the Prime Minister in February 1974. The Memorandum had proposed a package of measures "in the realms of monetary, fiscal and trade policy and industrial relations". Though the Memorandum did refer to "a structured demand management strategy", to regulation of stocks and expansion of production and capacity and to the need to "introduce a freeze on salaries and wages, profits and dividends", its primary preoccupation was with the level of money supply and its growth. The key measures which it proposed were immobilisation of 30 per cent of the existing money supply and a ceiling of 5 per cent on the annual growth rate of money supply. The emphasis on controlling money supply in recent discussions within the government has apparently encouraged the group of economists to now come out with specific proposals — designated, American-style, by a tongue-twister of an acronym, 'Semibombla' — for immobilising a part of money supply.

For this purpose the purchasing power of the community is broken down in the proposals into three categories: (i) currency notes of denominations of Rs 100 and above; (ii) currency notes of lower denominations; and (iii) bank deposits. The face value of the first category of high denomination currency notes is to be reduced by 30 per cent. Holders of these notes will have to get them stamped with their new face values within a specified period. Against the 30 per cent by which the value of the currency notes is reduced, the holders can claim special government saving certificates, with a maturity period of 10 years, protected against price rise through indexation by a factor equivalent to the increase in the index number of wholesale prices, and carrying a redemption value based on 10 per cent compound rate of interest per annum. Holders of high denomination currency notes upto Rs 10,000 will get their saving certificates without any scrutiny or question as to the source of income. For those with currency holdings in excess of Rs 10,000 in high denomination notes, the certificates will be issued only if a satisfactory explanation is forthcoming as to the source of income. This may be taken to be an anti-black money measure built into the proposals. Holders of small denomination notes will have the option to get them exchanged for what have been called Special Bond Medallions, which will also have a maturity period of 10 years, indexation, and a 10 per cent compound rate of interest. Bank deposits will likewise be immobilised to the extent of 30 per cent of current deposits, 25 per cent of savings deposits and 20 per cent of fixed deposits. The immobilised part of the deposits will be transferred into a separate account known as Blocked Deposit Account. The holders of Blocked Deposit Accounts will also get special saving certificates — again with a maturity period of 10 years, indexation, and a 10 per cent compound rate of interest. These measures are expected to reduce money supply by about 22-25 per cent. Thus about Rs 2,500-Rs 2,850 crores out of the current money supply of Rs 11,500 crores would be immobilised. The authors of the scheme are confident that "the reduction in money supply will lead to a drop in the level of prices by a similar proportion".

A not-so-incidental point may be raised about the enormous addition to money supply that would result on the expiry of the 10 year period for the duration of which purchasing power is proposed to be immobilised. For, the Rs 2,800 crores of money supply 'immobilised' through special savings certificates and Bond Medallions would, at a compound interest of 10 per cent per annum, have a maturity value of Rs 7,280 crores, under the assumption of constant prices. And, if prices rise by even 5 per cent a year, the maturity value will work out to no less than Rs 10,910 crores. What would be the implications of a monetary explosion of this order? This implication of the scheme has not been even mentioned by the authors.

This also exposes the gross inequity of the scheme. The benefits of indexation and the high rate of interest will accrue to those with large surplus liquidity. If the scheme is successfully implemented, the holding power over commodities of this section may get affected temporarily to some extent, but it would be able to quickly overcome these effects. The pattern of income distribution and wealth accumulation remaining unchanged, this section would be able to rapidly recoup its loss of liquidity. Further, even in the first instance, the loss of liquidity will be very limited. While 30 per cent of the value of the high denomination notes will be immobilised, there is no obligation to exchange the smaller denomination notes for the so-called Bond Medallions. Ten rupee notes, together with other smaller denomination notes, account for about 44 per cent of total currency in circulation or about Rs

3,000 crores. If even one-half of this is held by the richer section, it is obvious that a significant part of the monetary resources of this section would be left untouched by the scheme. And once they recoup their lost liquidity, the rich will have gained on the swings as well as on the roundabouts — from commodity trading and speculation as well as from indexation of their impounded currency holdings and bank deposits. The cash balances of wage-earners and low and middle level salary-earners are, on the other hand, just enough to meet their minimum transaction requirements. After contractual savings in the form of provident funds and insurance, they are likely to have hardly any savings left with them to take advantage of the Bond Medallions scheme.

If the objective is to cut at the use of money balances to hold commodity stocks, it can be very effectively achieved by a straight demonetisation aimed at unearthing and liquidating 'black' money. If instead of this, an elaborate scheme is required, such as that proposed by the group of economists — which will over a period of years have the effect of making the rich enormously richer — the only reason is that for political reasons the present government cannot be expected to effectively carry out a measure like demonetisation. To put the matter bluntly: since the rich are politically too powerful to be made to relinquish their illegal, tax-evaded money, they have to be persuaded with offers of incentives to temporarily give up a small part of it. And the incentives that they are to be offered for this relatively painless act of self-abnegation on their part are to include complete protection against rise in prices — protection which will not, of course, be available to the incomes of the poor — as well as the assurance that for every Re 1 surrendered today Rs 2.60 will be returned to them 10 years hence. In other words, the rich can now weigh the relative advantage to be gained from investing in commodity trading and speculation and from investing, so to say, in the economists' scheme and decide how much of their money to put in the one and how much in the other. Choice, as every one knows, is the essence of maximisation. By widening the choice available to the rich, the group of economists may be said to have made their contribution to more efficient profit-maximisation. It may be pointed out that there is a provision in the scheme for scrutiny of source of income where the money holding is in excess of Rs 10,000. But should not the effectiveness of this provision be written off for the same reasons that the economists themselves write off the prospects of a straight demonetisation?

And even after presenting the rich with such bounties, the impact of the scheme on prices is problematic, even in the very short run. There is no basis for the assertion that the aggregate price level will decline in proportion to the cut in money supply. And the impact on prices of particular commodity groups will be even more uncertain. An expansion of the scale of public procurement and distribution of foodgrains, for instance, will have a more profound impact on the prices and availability of foodgrains to the sections of the population that really matter than any across-the-board cut in money supply.

The fundamental error — shared by the government and the group of economists — is that of seeing the current economic crisis, of which the the inflation is the most visible symptom, as an essentially monetary phenomenon. As has been repeatedly pointed out in these columns, this view is not only erroneous but also highly dangerous. An obsession with keeping down the rate of growth of money supply and curbing government expenditure to contain the budgetary deficit will in the end have the effect of further reducing investment. And this when it is the almost decade-long stagnation in investment which is responsible for the worsening shortages of a series of industrial commodities like coal, steel, non-ferrous metals, basic and intermediate chemicals, dyes, cement, commercial vehicles and paper and paper products as well as rail transport and power. Despite this experience, the government apparently believes that planning and growth can be postponed till so-called stability is restored to the economy. It was the same calculation which had dictated the three-year holiday from planning after the Third Plan and later rendered the Fourth Plan a non-starter. The fate of the Fifth Plan, it is evident, is to be no different. That the government should want to slur over this is understandable. But most economists be a party to the deception?

State Finances

Case of the Missing Tax

THE budget presented last week by the Uttar Pradesh Finance Minister is significant for only one reason: of the nearly Rs 30 crores of additional resources proposed to be raised, neither agricultural income-tax nor land revenue will contribute any. Yet, 70 per cent of the state's income originates from primary activities and this is a state where many of the country's surplus producing farmers are concentrated. Beyond a point, it will be impossible then to keep loading the other sectors of the economy. The impact of the taxes and duties proposed last week will be felt largely by the urban middle and working classes, the sections which have also been among most severely affected by the inflation. The malaise, resulting from discontent and frustration which disparately distributed fiscal burdens bring in their wake, cannot be prevented from spreading. As the incidence of commodity taxation rises, prices too will rise. Since money earnings will not be permitted to be adjusted *pari passu*, real income will continue to be steadily eroded, straightaway affecting the incentive to work or creating the incentive to earn in the black.

But the fiscal malady afflicting Uttar Pradesh is not specific to that state alone. It is generic. In the present structure of politics, befriending the rich farmers and traders offers the highest pay-off to those in control of State power. Proposals for direct levies on agriculture will therefore continue to be carefully deleted from the agenda of activities. In the current year, the government is also on the defensive because of the increases allowed in the administered prices of fertilisers. Until the Lok Sabha elections in 1976 and the spate of state Assembly elections in 1977 are safely over, no further provocations are likely to be offered which could raise the ire of the emerging capitalist farmers. The limit of what could be dared has been reached for the present.

Plenty of other indications of the wileful defeatism have been made available. The Union Minister of Agriculture regards it a great achievement that the procurement of wheat in the present season has reached 1 million tonnes, or barely 3 per cent of the estimated output. Just two years ago, as much as a quarter of the total wheat crop had been procured, and at a price substantially lower than today's. It is the wretched poor — in government terminology, the vulnerable sections — who will have to bear the consequences of this abject capitulation to the big farmers and traders. In the past, public distribution of foodgrains in the lean period of the year used to exceed 1 million tonnes per month: there have been years when during June to September it was as much as 1.3 or 1.4 million tonnes per month. In the current year, the distribution of foodgrains through the ration and fair price shops is proposed to be cut down to as little as 400,000 tonnes in these months. The poor will be left largely to fend for themselves, starve, and, in a number of instances, die.

But currying favour with the rural oligarchs is by now hardly confined to the Congress party. In 1967, the Dravida Munnethra Kazhagam came to power in Tamil Nadu by promising to supply rice at a rupee a measure. At the time, the slogan yielded rich dividends, and the DMK could enlist the solid support of the rural and urban poor as well as the middle class whose eyes were agleam at the prospect of receiving rice through the ration and fair price shops at one rupee a measure (roughly one and a half kilogrammes). But 1974 is not 1967. In the intervening years, the DMK has extensively enjoyed the fruits of power, and has been diligently wooed by the affluent peasantry and the merchant capitalists. In 1967, Tamil Nadu's rice procurement was the highest in the country. About ten days ago the DMK government issued a notification abandoning, one and for all, the procurement of rice and paddy. As elsewhere, the poor in the state will henceforth have to learn to fend for themselves, and the surplus farmers and traders, no longer hemmed in by the irritant of procurement, will be able to give their undivided attention to optimising their returns from smuggling rice across the border to Kerala.

Maharashtra

The Uprooted in Manikghad

Our Maharashtra Correspondent writes:

MANIKGHAD and some 17 adjoining villages in the Rajura Assembly constituency of Chandrapur district, on Maharashtra's border with Andhra Pradesh, has been the scene of forcible eviction of agriculturists from so-called forest land. Here more than 1,500 families sought to be deprived of land which they have cultivated for over a decade are mostly Mangs, a scheduled caste, and Banjaras and Khumbars which are classified as backward classes. There is also a sprinkling of Marathas and even some Muslims among them. These families have been living in Manikghad and the adjoining villages for the last 12 to 15 years and have been growing cotton and jowar over some 25,000 acres.

One morning, some three months ago, they were served with eviction notices by the state government's Forest and Revenue Department. In these notices they were described as 'encroachers and outsiders' and were called upon to vacate the lands they had been cultivating as well as the villages in which they had been living and to go back to their 'places of origin'. The state government has backed up the eviction notices with the use of police, including the SRP. In some villages, the police are alleged to have burnt down houses and forcibly removed the belongings and personal effects of the farmers in trucks. Some 500 persons have been arrested, including 40 women.

How the 1,500 families came to settle in Manikghad is an interesting story. For decades Manikghad had been a sort of place of pilgrimage; people from far-off places used to come to offer prayers to a goddess called Gramadevata in the Manikghad forest. Every year a fair is held at the shrine of Gramadevata. In 1960 some groups of pilgrims were returning to their homes in Osmanabad and Nanded districts after offering prayers to Gramadevata. They were accosted by forest contractors and asked whether they were interested in employment in the forests as wood-cutters. The pilgrims replied that they were not trained in woodcutting but knew agriculture well. The forest contractors and some local leaders then told them that they would be welcome to develop the lands in Manikghad and the adjoining villages and settle down there permanently. As the pilgrims were mostly landless agricultural labourers in their own villages, the offer of land in Manikghad was very tempting. The forest contractors and the local leaders had no authority to offer land to anyone; yet they took large sums of money for allowing these people to settle on the land. The new settlers soon built improvised houses and began to develop the lands. They sincerely believed that through the payments they had made to the forest contractors and the local leaders, they had acquired legal right to cultivate the lands.

And so the once-uninhabited Manikghad area began to hum with activity. Soon a number of villages came to be established and the government set up gram panchayats in these villages. The leaders of the settlers became members of the panchayats and some among them were elected sarpanches. Came the 1962 elections to Parliament and the state Assembly and the settlers were registered as voters. In the elections in 1971 and 1972, the people of Manikghad and the adjoining villages elected two Congress candidates to the Lok Sabha and the state assembly, respectively. Meanwhile, the state government opened schools and introduced the other paraphernalia of administration. Big markets came to be established at Chandrur and Kirimeri.

Then came the blow in 1973 when the state Forest Minister, M D Chaudhuri, who also holds the Finance portfolio, decided to order his Forest Department to evict the 'outsiders' who had encroached on forest and revenue lands in Manikghad. Following this, 15,000 eviction notices were issued to agriculturists. The Forest Minister claimed that the land developed by the settlers would be distributed among the local adivasis. However, the Chief Minister intervened at this stage to assure the settlers that they would be allowed to continue to cultivate their lands. He further assured them that the lands they had been cultivating for more than a decade would be deemed to belong to them. As recently as on May 18 he called a meeting of legislators from Chandrapur district along with M D Chaudhuri and announced that lands which had been occupied before 1970 would not be treated as having been encroached upon and that their occupation would be regularised.

To his great embarrassment, however, the Chief Minister found that M D Chaudhuri, who is a member of Naik's inner Cabinet and is usually a staunch supporter of his within the Cabinet and in the state Congress party, was determined to uproot the agriculturists of Manikghad. Chaudhuri brought the matter before the Cabinet and got the Chief Minister's decision reversed. He got the Cabinet's approval for the eviction of the 'encroachers' in Manikghad and the adjoining villages. Chaudhuri reportedly argued before the Cabinet that if the government did not remove the 'encroachers' in Manikghad, the state would soon lose all its forests which, he alleged, were already getting eroded because of regularisation of encroachments. The argument apparently convinced the Cabinet. The Congress MLAs and MP from the area as well as the Minister of State for Agriculture and Irrigation and Power, R J Deotale, were prevailed upon to keep quiet on the issue.

Finding that the Congress members they had elected to the Lok Sabha and the state Assembly were not coming to their rescue, the agriculturists turned to the Socialist Party for help. Madhu Dandavate, Socialist MP, and Pannalal Surana, General Secretary of the party, have recently visited Manikghad and the adjoining areas. The Socialist Party, however, has no cadres to organise the

peasants of Manikghad for a struggle against their eviction. As things are, nobody knows — least of all they themselves — where the 10,000 to 12,000 uprooted agriculturists will go. The government certainly has no scheme to rehabilitate them.

Export Earnings

Bloated Image

SUDDENLY, there is a levelling off in the pitch. Claims, thunderingly broadcast by the Ministry of Commerce regarding the country's unprecedented export performance, have been markedly toned down. Much was being made till a few weeks ago of the news that export earnings were up by more than 25 per cent during 1973-74. Now that it has become known that total world exports had expanded by as much as 37 per cent in the same year, this country's achievement has lost some of its intended lustre. Taking the bare facts as they are, India's share in world exports appears to have actually declined in the course of the year. In any case, on such matters, it is clearly hazardous to express any categorical opinion unless the bases of the computations are first laid bare. In these days of fluctuating exchange rates, the measurement of a country's export performance over a specified period may to a large extent depend upon whether the export earnings are being measured in domestic or foreign currency. The reported rise in exports by roughly a quarter in 1973-74 has been arrived at for India after computing the value of exports in rupees. The picture might look altogether different if the gain is re-computed in terms of a standard foreign currency, for example, dollars: for, a large part of India's extra rupee earnings from exports might then be seen to be the result of the rupee having been considerably depreciated *vis-a-vis* a number of important foreign currencies in the course of the year. From time to time, suggestions have been made that the Ministry of Commerce should publish each year the detailed data of additional earnings of foreign exchange from exports: these could be presented, in tabular form, indicating the earnings in different currencies in 1972-73 and the corresponding earnings in 1973-74. Till now, there has been no response to such suggestions, giving rise to the suspicion that all that glitters need not be gold.

Certain other facts have meanwhile started to trickle in. Engineering exports were in any case faring badly in 1973-74, reflecting the phenomenon of uncertain production conditions. Cotton textile exports too have started to decline steeply since the beginning of the current calendar year. There is, of course, the general fact that with a more or less stagnant level of output, it is difficult either to sustain or to force up exports, particularly in a milieu marked by strong consumer demand in the domestic market. A number of other factors, too, must have contributed their influence. The expansion in India's cotton textile exports since 1971 was largely a consequence of the cost explosion in Japan. But, with the prices of raw cotton moving up here by nearly 50 per cent during the past one year, our temporary advantage is now almost completely lost. Sooner or later, a 30 per cent annual rate of domestic inflation could not but cast its shadow on exports. In the face of such spiralling prices survival in the international markets would be largely a function of whether or not international prices are rising at a faster pace. Apart from a few Latin American countries, the order of price increase which the Indian authorities appear to acquiesce in, or even to connive at, is unlikely to be tolerated in any other markets of the world.

At the same time, reports have been loud and frequent about the frivolous manner in which export incentive schemes, including import entitlements, have been administered. Here is an obvious case for a rigorous cost-benefit analysis. If, at the margin, pushing up the rupee value of exports by Rs 500 crores could be shown to have involved an extra fiscal outlay of, say, Rs 250 crores, the validity of the venture would have to be questioned. One would want to know the additional accretion of foreign exchange corresponding to the Rs 500 crores of extra earnings in rupee terms. There is another aspect of the export incentive schemes which also merit cost-benefit analysis — *viz*, the income redistributive effect of the individual export subsidies. A nominal increase in foreign exchange earnings, if it is at the cost of a substantial transfer of resources from the nation's poor to a select group of traders and industrialists, might be something which the nation could do without, whatever the shadow rates of exchange applied.

Oil Prices

Bonanza for the Companies

THE steep rise in oil prices is now an accepted fact. Oil prices have been steadily going up since October 1970 when the newly installed Chaddafi government in Libya single-handedly wrung out large additional revenues from the Western oil companies. This was to be just the beginning. Last year's October War in West Asia was the dramatic occasion needed to spur the major oil exporting countries to increase their revenues — for the first time to levels approximating those hitherto appropriated by the governments of the consumer nations. Previously the major ingredient in the price of oil was the high taxes levied by consumer governments. To this have now been added the high taxes levied by the producer governments.

The Financial Times of June 6 gives a breakdown of the cost of an average barrel of oil in Western Europe which is the world's major importer of oil. The cost breakdown compares the figures of July 1973, i e, before the October War, with those of January 1974, by when all the major price increases by the producer governments had been effected. While the producer governments' revenues (including 25 per cent participation in the fortunes of the oil companies) amounted to only $ 2.3 per barrel in July 1973, the consumer governments appropriated taxes amounting to $ 7.45 from a barrel of oil. By January 1974, the producer governments had begun to take $ 8.48 while the consumer governments had slightly increased their share to $ 7.7

Other costs like distribution and refining remained almost constant. What is even more significant is that while the production cost of the average barrel of oil went down slightly from $ 0.19 to $ 0.18, the oil companies' profits went up from $ 0.58 to $ 0.88, a striking increase of 52 per cent within a period of only six months. The Western oil companies while crying wolf about the extortions of the producer countries have by no means curbed their own traditional predatory instincts.

COST BREAKDOWN OF THE AVERAGE BARREL OF OIL IN WESTERN EUROPE (in US dollars)

	July 1973	January 1974
Average price in the market	14.25	21.49
Production	0.19	0.18
Refining	0.53	0.55
Transport	1.00	1.50
Distribution	2.20	2.20
Oil company profits	0.58	0.88
Consumer government's take	7.45	7.70
Producer government's take	2.30	8.48

Hurt by Power-Cut

Hansavivek

SOUTH INDIA VISCOSE completed the expansion of its staple fibre plant in December last and attained the rated capacity of 20 tonnes per day in the same month. The project involved a capital outlay of about Rs 7 crores and was financed entirely out of internal resources. The company now proposes to set up a polynosic staple fibre plant with the same capacity and has entered into agreements with Italian collaborators for the supply of technical knowhow and machinery for the plant. Orders will be placed with foreign suppliers for import of machinery on obtaining clearance from the government. Meanwhile, the company has also received a 'letter of intent' to double production of woodpulp to 120 tonnes per day. During 1973, SIV produced 2,388 tonnes of rayon yarn, 2,438 tonnes of staple fibre, and 24,124 tonnes of pulp. Production of rayon yarn and staple fibre was affected by a power-cut of 75 per cent in force from February to July 1973. The staple fibre plant had to be shut down for about 5 months, while the rayon unit worked at reduced capacity during February to July 1973. The wood pulp plant was shut down for more than 25 days due to water scarcity. Profit margins were depressed, as reflected in a 12 per cent fall in gross profit following a 6 per cent decline in net sales. Net profit was about 36 per cent down compared to the previous year. Even so, dividend has been stepped up from 20 per cent to 25 per cent. Nearly a quarter of the distribution is short-earned. Both inventories and wages in relation to sales were much higher compared to the previous year. STC has filed a suit against the company in the Bombay High Court for over Rs 28 lakhs, being alleged excess reimbursement of loss under export promotion scheme. No provision has been made in the accounts, as the company says that it has not acknowledged this claim. There is also a liability for about Rs 3 lakhs towards sales tax, which too has not been acknowledged by the company. The Tamil Nadu government has increased, with retrospective effective from 1969, the lease rates for bluegum and wattle areas allotted to the company. From April 1973, the lease rate has been raised further for a period of 3 years. The liability in respect of increased price for pulp wood demanded by the state government has been provided for in the accounts. The company's appeal against the levy of textile committee fees was decided in its favour by the Madras High Court, but the textile committee has filed a petition for grant of a certificate for leave to appeal to the Supreme Court against the judgment.

FOOD SPECIALITIES' application for issue of bonus shares, as approved by the members in July 1972, has not been considered by government because a contingent tax liability stood in the way. Appeals are pending against claims by the tax authorities, which amounted to Rs 20 lakhs in 1972 and was increased to Rs 37 lakhs in 1973. The company's results in 1973 were affected by a 20 per cent reduction of fresh milk supplies to its factory, coupled with fast rising cost of raw and packaging materials. The milk supplies were lower because of poor calving and a larger domestic consumption of milk by farmers owing to high prices of edible oils. Manufacture of milk products, therefore, had to be curtailed. Even so, net sales realisation was marginally higher, but margins deteriorated sharply and gross profit fell by about 21 per cent. Dividend has been lowered by 5 points to 20 per cent and is just covered as before. No provision has been made for gratuity liability upto the end of 1972, actuarially determined at over Rs 6 lakhs. The company has received government permission to increase licensed capacity of milk powder and baby food. The MAGGI cube factory was completed at the end of 1973.

UP ASBESTOS, a joint-sector enterprise in which UP State Cement Corporation has a 26 per cent interest and Arvinda Consultants 25 per cent, is setting up a project at Mohan Ganj

The Week's Companies

(Rs in Lakhs)

	S I Viscose		*Food Specialities*	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up Capital	490	490	185	185
Reserves	718	648	140	145
Borrowings	580	617	285	278
of which Term borrowings	551	595	102	101
Gross fixed assets	3111	2507	394	368
Net fixed assets	1623	1222	265	209
Investments	35	37	1	1
Current liabilities	590	472	212	136
Current assets	720	955	556	534
Stocks	388	252	234	225
Book debts	307	467	315	304
Net sales	966	1026	1238	1233
Other income	10	12	8	12
Raw material costs	241	211	939	918
Wages	120	90	53	43
Interest	41	50	35	29
Gross profit (+)/loss(—)	372	421	126	160
Depreciation provision	204	154	28	28
Tax provision	—	5	57	82
Net profit (+)/loss(—)	168	262	41	50
Development rebate provision	75	175	2	1
Transfer to reserves	—29	—11	2	3
Dividend				
Amount	E 122	98	E 37	46
Rate (per cent)	E 25	20	E 20	25
Cover (times)	0.76	0.88	1.06	1.07
Ratios (per cent)				
Gross profit/sales	38.51	41.03	11.77	12.97
Net profit/capital employed	9.39	14.93	6.72	8.22
Inventories/sales	40.16	24.56	18.82	18.25
Wages/sales	12.43	8.77	4.28	3.49

in Lucknow for annual manufacture of 36,000 tonnes of asbestos cement products. Technical knowhow will also be provided by the latter partner. Capital outlay on the project is estimated at around Rs 168 lakhs and is proposed to be financed by equity capital of Rs 50 lakhs, term loans of Rs 60 lakhs and the balance by borrowings from banks and deposits and cash accruals. The basic raw material is cement, which will be drawn from UPSCC. The company has been issued a release order of the value of Rs 34 lakhs for import of asbestos fibre. The public is being offered 2,44,993 equity shares of Rs 10 each at par to meet part of the finance required for the project. According to B Kejriwal, managing director, the plant will go into production by August next. He expects the company to pay a maiden dividend of 12 per cent out of the earnings of the very first year of production and to raise it to 15 per cent from the second year. As the only plant to manufacture asbestos products in UP, the management expects that the entire production will be consumed in that state. The subscription list for the public issue is to open on July 3. It will close on July 13 or earlier, but not earlier than July 6. The public issue is managed by FICOM.

CAPITAL VIEW

Descent on the Corrupt Sector?

Romesh Thapar

THE other day, in Delhi, a number of well-co-ordinated raids were conducted on the godowns and bank-lockers of certain iron and steel merchants. The haul was extensive. The price of steel fell steeply. And, now, it looks as if the vanaspati agents are being given the once over. Are these moves the first of a series of steps against those who have been wrecking the price mechanism of the market? Is Delhi setting the tone? We do not know. We will have to wait and see.

It is well known that government, both at the Central and the state levels, have a fairly comprehensive record of the leading market manipulators and the details of their operations. This highly inflammable knowledge has been with the government for several years. It needs only a gentle signal to put into action an investigation which can bring the crooked to justice. Why then are we so lazy about taking the long overdue steps? Too many fingers in the pie?

Part of the System

Our brand of politics, with its built-in system of over-spending in the sprawling constituencies, spurred the massive growth in black money dealings. The dealings were designed to re-imburse those who had been feeding funds to our politicians. An economy of shortages gave sustenance to the black money operations. And then, during the past two years, the inflation and the resultant impetus to corruption have created what is tantamount to a parallel unofficial economy —, with its own deposit, credit and interest system.

When the decision was taken to crack down on the adventurous railway unions seeking to paralyse economic activity in the country, it was assumed in political circles that the government of Indira Gandhi would hit out at a number of corrupt points, if only to stress its own impartiality. Of course, the government's credibility has been declining so rapidly that there are a fair number of informed persons who just refuse to believe that Delhi is interested in being fair-minded.

It is necessary to take note of the nuances of the situation. Only a large-scale and sustained assault, cutting across state boundaries and embracing well known personalities involved in the buccaneering, can restore credibility to the government of Indira Gandhi. The kind of hesitant, reluctant, half-hearted, and even defensive, actions taken in the past against the corrupt have only served to heighten the contempt in which government and its proliferating institutions are held. And the Prime Minister should stop accusing the Opposition of exploiting ministerial corruption for political ends. What did she expect the Opposition to do?

To Retain the Initiative

The correction, as in the matter of the railway strike, must be clear-cut, determined and ruthless. Then, perhaps, we may see a sense of balance restored. Indeed, in several Left quarters, particularly the embarrassed CPI, the demand is arising for some such organised *expose*. Rumour has it that prominent persons associated with the Prime Minister will have to face concentrated charges.

It would be most unfortunate if the Prime Minister permits this attack and counter-attack situation to develop between government and opposition. In a matter such as this, government needs to set an example and retain the initiative. The past is past. Let the present and the future, at least, be salvaged by a frank recognition of errors.

Direct action by government against the notoriously corrupt has more to recommend it than the legalisms inherent in the decision of the Chief Minister of Bengal for probing the probity of his ministers. Inquiries by Supreme Court judges, with all the paraphernalia of charges and evidence, are designed to save the necks of the really organised operators. Only fools find themselves in trouble with these inquiries. It is strange that the Chief Minister doesn't sack those whom he considers corrupt, faction fights within the ruling party notwithstanding. Passing the buck, particularly to retired judges, only infuriates. The sooner this is realised, the better.

Backdrop of Presidential Election

The descent on the corrupt sector, which spills over into many areas, should keep the CGI and its obedient satraps busy for some time. But speed is essential. Political developments around the presidential election could diffuse attention. Indira Gandhi will probably see the connection between the present probe and the presidential manipulations sooner than the incompetent politicians who crowd the platforms all over India.

Somehow, if the Congress party has to survive the present crises, it has to be freed from the grip of the black-marketeers, the smugglers, and the tycoons who control the black market economy. Indira Gandhi is not guilty of giving these elements their first toehold in the ruling party; that was done by others. But she has permitted them to entrench themselves, despite warnings about the consequences. Now, the embarrassment is extreme.

Maybe, the tactics of the traders in food will provide the occasion for action which will hurt those who build empires on corruption and dishonest dealing.

June 17

Calcutta Diary

A M

NEVER say die. The Economic Policy Committee of the Union Cabinet hesitated when presented with a demand that vanaspati prices be raised by something like 20 per cent at one go. So what. Within a bare two days, the Political Affairs Committee took charge of the matter, and allowed the asked-for price increase. Thereby, an important point was rubbed in, a point which pedantic professors of economics often miss out: Economic policy has no suzerainty of its own, it is a derivative of political affairs.

A few other points also emerged from the episode. One must not look for symmetry in official decision-making: symmetry is not the way of a class-biased government. Vanaspati prices have to be raised because cost of production has supposedly gone up as a consequence of the spiralling prices of oilseeds. The government's purchase prices for wheat and other foodgrains are increased from time to time because, again, cost of production is supposedly moving up and up. The model breaks down, however, in the case of labour. The rise in the cost of production of labour receives no official recognition.

The cost on account of labour is the cost of the subsistence packet. With the steep rise in the prices of foodgrains and other essential commodities and services, the cost of this subsistence packet has increased by at least 60 to 70 per cent in the course of the past two years. The perfunctory adjustment in dearness allowances is patently incapable of compensating the labourers for this rise in their subsistence expenses. Which is why the workers seek certain other additional reliefs, for example, through an award of bonus. The Political Affairs Committee of the Cabinet will lean over backwards to take into account the rise in the cost of production while fixing the administered prices of commodities. Commodities, after all, are inert entities, any compensation for the increase in their cost will flow to those who control their production, viz, the big farmers and the industrial capitalists. With labour, it is different. Labour, in the first place, is not inert. In the second place, the additional funds which might be paid out to the workers by way of compensation for the rise in their cost of living will not flow to the rich farmers or the capitalist producers; because the workers are not inert, anything extra you pay to them they will want to spend on their own welfare; it cannot always be appropriated by their employers. This is scandalous, and cannot be allowed. Labour must be shown its place.

What is worse, labourers will be lectured to. How dare they ask for extra wages when there are people much, much poorer, in cities and towns as well as in the countryside — the millions of unemployed, the half or one-quarter employed small farmers and landless labourers? Do not the organised working class have a modicum of social conscience? Are they not ashamed to raise fresh demands every day for higher wages, when so many in the country are below the subsistence level, some of whom are literally starving day after day? Do not they possess even an iota of patriotism? Are they incapable of realising the enormity of the crisis the nation is going through? In case they are, they must be taught the lessons. Treason is not to be put up with. The Defence of India Rules and the MISA will be invoked. Crack units of the Army, the Border Security Force, the Central Reserve Police, the Industrial Security Force, *et al*, will be out in force. This is not a ha'penny worth of a nation. India — the land of Lord Krishna, Buddha, Sankaracharya, Mahatma Gandhi and Rabindranath Tagore — has survived through the centuries because, despite the many vicissitudes, it has an inner core of strength: it has taught its citizens the art of holding the head high and elevating the heart to a state of fearlessness when confronted by even the direst misfortunes. The secret of that strength is to be found in abstinence and self-abnegation. The demeanour of the organised working class is a slur on this noble tradition of the nation. They must be given no quarter at all.

The Old By-Now Non-Curiosity Shop! These lecture notes are somehow misplaced in moments when sectional demands are being pressed instead by the well-heeled categories — such as the rich farmers, the traders and the manufacturers. At the mildest of pressure, the wholesale trade in grains is returned to private operators, procurement prices are raised straightaway by 40 per cent, inter-district cordoning is abandoned. The big farmers are not admonished: they are not informed that they ought to be ashamed of themselves in asking for such hefty increases in prices; they are not asked to consider the plight of their unfortunate neighbours — the small-holders and the landless cultivators — and forgo the demand for higher prices. No, the incentives of the farmers cannot be allowed to be adversly affected; they must be ensured a fair margin above their cost of production; the invocation of patriotism and reading the Riot Act are definitely out even though the surplus-raising farmers are a thoroughly recalcitrant lot. If, despite the staggering increase in procurement prices, farmers and traders do not bring the wheat to the market, then ... ah, yes, there are some local difficulties which need to be sorted out, but, meanwhile, don't you know, we have done very well with the procurement of rice. The rich by definition are incapable of committing treason; it is only the poor who can be, and are, unpatriotic. If vanaspati disappears from the market, it has to be because traders and manufacturers cannot maintain supplies since, at the given price, production is no longer economic. If workers however fail to turn up for duty on the plea that, at the existing wage rates, the supply of their services has become uneconomic, the only no-nonsense answer is the Defence of India Rules and the midnight knock.

This asymmetry percolates into every sphere. The All-India Radio and the docile, complaisant Press play up a non-event at the Kharagpur workshop; practically nothing however gets written about the thousand other things that occurred during and in the aftermath of the rail strike. Organised brutality, spearheaded by the minions of law and order; the vicious bayonet thrust at the bodies of the striking railwaymen waylaid by the police; the bundling into prison of thousands who refused to act as blacklegs; the terrorisation in employees' quarters; the deployment of hired goons to beat up workers and their families; the harassment of women and children; the brusque ejectments; the summary dismissals. These do not get broadcast or written about, for they do not serve the cause: the cause of making the country safe for the privileged ones.

The Press writes, and the All-India Radio's hired pundits pontificate, about the ignominy of a strike called off despite the fact that not one of the major demands was conceded by the authorities. They do not write or speak of the many heroisms which constituted the strike, the courage of the workers, the fortitude shown by their wives and offspring. The Press does not write about some of the other dimensions of the strike either: More than one hundred unions and their members, flung across the length and breadth of the country, came together and decid-

ed to challenge the prowess of the government. For twenty long days, they held out, although they had very little wherewithal. By and large, they stayed away from violence: in any event, they did not have the weaponry to indulge in violence. The violence, almost in its entirety, was on the government's account.

It is as if certain of the things one had read about fascism in Italy or the *putsch* of the National Socialists in Germany had suddenly stepped out of the pages of the history books and had become part of our own living reality. During that strike which the All-India Radio was unable to discover, the State became the leading organiser of illegitimate activities. The workers — and their families — did not flinch; they faced the menace, with dignity. Of course they failed to achieve what they had set out to achieve. The majesty of the endeavour is not reduced thereby. The outcome of the strike merely established the point, which perhaps did not need any establishing, that in a modern State — provided the government is backed by the combined resources of the defence forces, the police, the intelligence and the paramilitary units, the opposition is divided into a hundred fissures, and the level of general political awareness amongst the masses is abysmally low — in any confrontation with the workers, the authorities will get away with strong-arm methods and succeed in bullying them back to work.

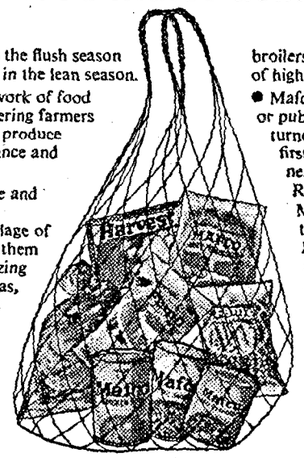
The asymmetry, of course, remains. The government will not be seen to deploy the same strong-arm tactics to bring to book the wayward trader, the obstreperous big farmer, or the blackmailing manufacturer. The official solicitude to keep the wheels of production and exchange moving will stand suspended in case they stop at the initiative of the rich ones in the system. The government, in other words, is class-biased. If your susceptibilities are hurt by the use of such expressions borrowed from the gutter of ideology, the government, let it be said, is one-eyed.

A minor point, wearyingly repeated over and over? If the face of reality however does not change, the narration of that reality cannot escape being repetitive. Even more relevant, the asymmetry referred to provides perhaps the major clue to the present economic crisis. This country's economy is much too big and complex and the problems confronting it are much too heterogeneous, to be left to the care of a rarefied decile of the population.

Through its fiscal and monetary policies, its licensing and other administrative procedures, its *modus operandi* concerning the setting of prices and wages, its views on information and broadcasting, the government is bent upon enforcing a particular pattern of income redistribution — *viz*, the transferring of income and resources from the many poor to the few rich, from the millions of the multitude to the handful of the elite. Taking any random period in the post-1947 phase, none can claim that the rise in money wage rates has kept pace with the rise in prices. On the other hand particularly in more recent years, the authorities themselves have taken the lead in raising the prices of so many different commodities, thus widening the profit margins of the traders and producers, that one has almost lost track. But the elite by themselves cannot accelerate the process of growth; according to a number of well-founded economic propositions, the elite are not even interested in growth — their interests lie in short-run profits, and where the latter can be improved upon by restricting growth, by all means growth will be restricted. Besides, only in a highly technologically advanced, fully automated milieu, can the rich ones still hope to carry on more or less in the manner of the scions of nineteenth-century British conservatives; in the present clime in India they cannot hope to do so. If set upon, the sullen middle class condemned to inflation and fixed incomes, the sullen working class, the sullen peasantry, will each go through the motions of participating in the process of production? It will, however, be production as in an occupied territory: the moment the authorities look the other way, things will grind to a halt. In case you are not convinced, just wait till the railway accounts for the fiscal year 1974-75 are ready.

FOOD SHORTAGE

and what's Mafco doing about it?



- Mafco is buying heavily in the flush season to make more food available in the lean season.
- Mafco is developing a network of food procurement centres, and offering farmers in Maharashtra incentives to produce more: contract prices in advance and profit-sharing schemes.
- Mafco is expanding storage and processing facilities all over Maharashtra, to prevent spoilage of meat and vegetables and give them a life of up to one year. Freezing makes seasonal produce—peas, maize, cauliflower—available all year round. And Mafco cold stores vegetables like potatoes and cabbage.
- Mafco is brand marketing foods, to give the housewife a standardised product at a fair price. So Bombay broilers are cheaper than Delhi's, in spite of higher feed prices in Maharashtra.
- Mafco has entered a field where no private or public sector unit has dared to tread. Our turnover has risen from Rs. 53 lakhs in the first 15 months to Rs. 1.32 crores in the next year, and is expected to increase to Rs. 3 crores in the coming year. But Mafco's real success is to be judged with the growth of its frozen food markets in Maharashtra. Because that makes new markets for the farmer, and provides quality foods at a reasonable price to the housewife.

MAFCO

Mafco brings thought to food marketing.

LINTAS-MAFCO. 10-139

WORLD MONETARY REFORM

Floating All Round

(From a Special Correspondent)

THE deliberations of the IMF's Committee of Twenty on international monetary reform ended abruptly last week without producing the expected package of reforms to replace the Bretton Woods system which had determined international monetary arrangements till May 1971. That the Committee would not be successful in achieving the ambitious objectives set for it by the governing board of the IMF had become evident well over a year ago. What was not expected was that the Committee would produce a package of mini-reforms blatantly partisan in favour of the developed countries. On most of the important subjects like the exchange rate regime, the role of gold and the SDRs, and convertibility of national currency holdings, the Committee has either proposed half-hearted solutions or altogether evaded the central issue.

Successful Propagation

The reason for this appears to be the successful propagation of the idea by the Committee's subordinate body, the Deputies of the Committee of Twenty, that basic solutions to international monetary problems have to emerge out of an evolutionary process spread over a long time. If this were so, how was it that the Bretton Woods arrangements, which sustained the international monetary system for over two decades, could be framed after much shorter deliberations? In any case, why did the Committee take such a long time to realise that monetary reform discussions could not be expected to yield results in just two years.

With none of its developed country members interested, each one for a different reason, in a return to the so-called fixed but adjustable parities, the Committee has been forced to accept the inevitability of living with a floating exchange rate system. It has, therefore, proposed to minimise the evils of such a system by stressing the need for establishing "guidelines for the management of floating exchange rates". The word 'guidelines' suggests that the IMF will release a long list of 'rules of the road to be observed by countries floating their currencies so that their 'dirty' floats do not jeopardise the interests of other countries. The proposed new Super Board of the IMF would do the job of policing erring members. But such policing is beset with innumerable practical difficulties and it would be difficult to prove that any member has violated the guidelines. Moreover, since what is proposed to be done is to prepare only a set of guidelines and not rules, the guidelines will lack the force of clearly-formulated rules whose violation will be met by appropriate sanctions.

The floating regime was forced on the world in the first instance by the US with the intention of depreciating the exchange parity of the dollar *vis-a-vis* other currencies in order to gain a trade advantage. Subsequently it became popular with other countries as they saw no other way of coping with their balance of payment problems, made unmanageable by massive speculative transactions in different currencies at the slightest sign of their weakening. It is an irony of the situation that the French, who were and still profess to be most ardent supporters of the par value system, have relied heavily on the floating exchange rates regime to solve their largely oil-induced balance of payments deficits.

Real or Apparent Advantages

Whatever the real or apparent advantages of a floating regime, the Committee of Twenty should have pondered over the possibility of a world recession largely due to floating exchange rates. Faced with the serious implications of the oil crisis, many countries are likely to be tempted to flout the rules of the road in managing floating rates and pursuing beggar-thy-neighbour policies. Countries vie with each other in making statements about the necessity of international co-operation in monetary and trade matters so long as the going is reasonably good or at least is not particularly difficult. But once more and more national governments face difficult external payments situations and are forced to resign, as has happened in Italy, the law of the jungle will tend to prevail — as shown by the experience of the inter-war period. The progress made by economic theory since the 1930s and the many seemingly powerful tools which economists have added to their kit are not good enough reasons to be complacent about the current international economic situation.

It has been generally accepted that it would be unwise to solve the problem of massive oil-induced deficits through exchange rate and trade policies aimed at curbing imports or stimulating exports. Such policies pursued by one country only create difficult situations for other countries without solving the basic problem. Since the oil exporting countries cannot possibly use even a small part of the additional funds accruing to them as a result of the increase in oil prices for stepping up their imports, the oil-induced global trade deficit would remain unchanged whatever the rest of the world does about it. Given this fact, no single country can hope to improve its payments position by recourse to floating exchange rates. It may, therefore, be preferable to return to a regime of par values which would make the international policing job a more manageable and meaningful proposition for the IMF.

Much Energy to No Purpose

On the ill-fated SDR-aid link, the developing countries have so far expended much energy to no purpose. So long as the floating rates regime continues, the world community need not bother about augmenting global liquidity through the creation and allocation of SDR, as the markets take care of themselves without any need for official intervention. Moreover, the scale of official intervention required to smoothen out undue fluctuations in rates would not demand command over reserves much larger than those that are at present at the disposal of the national authorities. Thus since no additional SDRs are going to be created as long as the floating regime continues, it is meaningless to harp on the so-called SDR-aid link.

The developing countries, and India particularly, which have wasted so much energy on this issue, adopted a wrong strategy in not opposing floating rates which are at the very root of the matter. Another blunder committed by some of the developing countries was

to insist that the aid-linked SDRs, instead of being channelled through international development financing agencies like the World Bank and the IDA, should be allocated to the developing countries in relation to their quotas in the IMF. In other words, these countries were in effect asking for additional allocations of SDRs that would not be necessarily used for developmental purposes. A number of developing countries, including India, have shown a penchant for wasting resources for non-developmental purposes. What is the assurance that the additional SDRs would not be similarly wasted unless their utilisation is tied to justifiable purposes by routing them through one of the international development financing bodies?

All the same, just to assuage the

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1 Ph D in Economics with 10 years teaching/research experience.

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3 Ph D, or M A, I or II class, (or post-graduate training in case of DCAR post) in subject concerned with 3 years teaching/research experience. For one or two posts, persons with I or II class B Sc (Ag) and M Sc (Agl. Econ) with experience in farm management and agro-economic analysis, and who can speak and write Kannada preferred.

4 M A, I or II class in subject concerned with one or two years research experience.

5 M A (Econ.) or M Sc (Stat.), I or II class with experience in collection of data and processing. For two or three posts, those who can speak and write Kannada preferred.

6 M A, II class in Econ./Sociology/Stat. with field work experience. Lady candidates who can speak and write Kannada preferred.

Age Limit : Not more than 30 years for posts 5 and 6.

Selection Committee may relax qualifications in exceptional circumstances and can also consider suitable candidates from outside the list of applicants. Persons with I class M A with recognised published work and teaching/research experience would also be considered for posts of Senior Fellows and Fellows. A higher start may be given to those who are exceptionally qualified.

CANDIDATES FROM SCHEDULED CASTES AND TRIBES ARE REQUESTED TO MENTION THE FACT IN THEIR APPLICATIONS.

Applications with details of age, qualifications, publications, and two academic references, should reach Registrar, **Institute for Social and Economic Change**, Post Box 5120, Carlton House, Palace Road, Bangalore 560 001 not later than July 15, 1974.

M R Koneri Rau
Registrar

strong feelings of some of the developing countries both the US and West Germany, which are strongly opposed to any SDR-aid link, agreed to a compromise solution of referring the issue to a new joint IMF-IBRD Committee. However, since the US and West Germany are unlikely to revise their basic position of opposition to any SDR-aid link, the issue may be considered as good as lost.

On the question of gold, the Group of Ten decided that gold could be used as collateral by countries for their international borrowings. That this small group of developed countries arrived at this important decision just a day before the meeting of the Committee of Twenty shows that the developed countries will increasingly try to settle their differences within their own small group and arrive at solutions to international monetary problems by bypassing the newly constituted IMF Super Board. The more noise the developing countries make in the discussions on monetary reform, the more inclined will the developed countries be to settle issues related to monetary reform outside the IMF — as they used to do until the ill-fated Committee of Twenty was appointed. The US, which had taken the initiative in favour of inclusion of developing countries in the reform discussions as a counterweight to the European countries, has shown sufficient irritation with them and has developed its own techniques of dealing with its difficult European colleagues without help from the developing countries.

From the viewpoint of the developing countries the most damaging development is the raising of the interest rate on SDRs to 5 per cent from its present level of 1½ per cent. Along with this the IMF charges on borrowing by member countries will also go up sharply. The IMF is no longer a source of soft loans to be used for meeting temporary balance of payment difficulties. Since most of the developed countries have access to sizeable central bank swap facilities, they are indifferent to the terms at which IMF finance is to be made available to the vulnerable oil-importing developing countries.

It is small consolation to the developing countries that a new IMF facility is to be created, under which funds will be made available upto even 8-10 years. Further, even if additional SDRs are eventually allocated to the developing countries under some variant of the aid-link scheme, use of these SDRs for developmental purposes would cease to be an attractive proposition so long as the interest rate on SDRs continues to be much higher than that which the developing countries now pay on IDA borrowings or on other concessional loans on a government-to-government basis.

In the bargain the developing countries have also lost on another count as they have not been successful in their effort to secure fresh creation and allocation of SDRs after the first three years. The present world holdings of SDRs are insignificant in relation to total global reserve holdings, composed of reserve currencies, gold, reserve positions in the IMF and SDRs. Hence the SDRs will not qualify to become the basic reserve asset as gold was until the middle of 1971. Till such time as SDRs are created regularly and their supply increased sufficiently, the SDR will not become the basic reserve asset of the world monetary system and would continue to be only an accounting unit without being used for the purposes of convertibility which, after all, is what qualifies as asset to be the basic reserve asset.

Valuation of the SDRs in terms of a basket of 16 prominent currencies of the world is only a minor aspect of monetary reform as it merely defines a unit of account of the new system. The only positive feature of the delinking of the SDRs from gold is that it would increase the medium of exchange role of the SDRs whereas its link with gold had made SDRs as immobile as gold because of the wide difference between the official and the market price of gold. Now the value of SDRs will float with that of the 16 currencies that will determine the value of the SDR on a day-to-day basis. With the SDR also now floating along with all the currencies and the gold's collateral value floating along with its fluctuating market price, the world monetary system is fully ushered into a floating regime all round. And what little evidence is available indicates that a floating regime does not augur well for the wellbeing of the international monetary system.

NEW DELHI.

Sell-Out on Aid

B M

THE Economic Affairs Secretary in the Finance Ministry looked very pleased with himself on the results of his visit to Paris from where he returned with the promise of $ 1,400 mn of gross foreign aid from the Consortium of Western aid-givers. This is in fact the largest ever sum of aid offered to us in our long history of dependence on foreign aid. Indeed our dependence on aid will be significantly stepped up in the very first year of the Fifth Plan which aims at the goal of net zero aid at the end of the five-year period. And it is a further comment on the politics of our planning that pointing to this blatant contradiction is treated as sheer impertinence. On the contrary, the Paris meeting is treated as a great triumph for our skill in aid diplomacy, a triumph over all sceptics who had thought that the recent nuclear explosion would result in an aid squeeze.

For all this self-congratulation, the government is still clearly unsure that the promised aid will rescue the country from its economic plight and that the tight balance of payments position will be made any the more manageable. Calculations show that a substantial gap would remain between foreign exchange earnings and the cost of imports after all aid, including that from the socialist bloc and the oil exporting countries, has been taken into account. The way things are going, the bill for maintenance imports, apart from food imports, would be around Rs 3,000 crores. Of this, crude oil and petroleum products would account for Rs 1,150 crores, fertilisers and raw materials for fertiliser manufacture Rs 550 crores and other imports Rs 1,300 crores. Though government circles are very reticent about their intentions on foodgrains imports, on the basis of the very low procurement total imports will very likely be well above 4 mn tonnes — despite the considerable dismantling of the public distribution network. This would involve an outlay of another Rs 600 crores. Export earnings, on the other hand, are expected to be about Rs 2,750 crores. The trade gap of about Rs 850 crores also does not take into account imports required for specific projects.

Of the total gross aid pledged by the Consortium, $ 800 million will be for financing maintenance imports and

debt relief. Since the repayment liability for the current year is about $ 675 mn, net non-project aid during the current year will be only $ 125 mn. The socialist countries do not usually extend non-project aid. Oil credits secured so far aggregate about $ 200 mn. There thus remains a trade gap of about $ 700 mn — assuming that imports will remain pegged at levels presently envisaged and that further deterioration in the terms of trade can be effectively checked. About one-half of this gap will be covered by drawals from the IMF and other sources will have to be tapped to cover the remaining gap. The 'generous' offer by the Consortium does not, therefore, warrant a let-up in the search for more aid, especially since IDA aid forms a major portion of the gross aid pledged by the Consortium and replenishment of the IDA's funds remains somewhat uncertain. Further drawals from the IMF, although these would involve questioning and supervision of our economic management by the IMF, eager anticipation of the visit by US Secretary of State Henry Kissinger which might yield something more than the paltry $ 75 mn so far offered by the US and further drilling for credits from the oil-exporting countries — these are therefore courses 'under active consideration' of the government.

We are back to the situation of the mid-sixties, despite the strong revulsion to the rupee devaluation that had had to be carried through then under pressure from the aid-givers. If in the meantime, the government had for some time envisaged dispensing with foreign aid altogether (except for claiming its right to the transfer of resources under the auspices of the international institutions on suitable terms and conditions), it was because net aid had considerably shrunk anyway. But the failures on the domestic front, particularly in the food and energy sectors, have dragged us back to the easier option of depending on more and more foreign aid. Nor is this dependence counter-balanced by any attempt to save on oil or food imports. Within days of receiving the assurance about the Consortium bounty, the Finance Ministry allocated an additional Rs 150 crores for oil and oil products imports, supposedly to avoid shortages in their supply. Following from this step, efforts to save on their consumption and to switch over to other forms of fuel, particularly coal, will now receive even lower priority.

The current stress on non-project imports as the means for keeping the economy afloat, and the relative neglect of project aid, moreover indicate a fundamental feature of the official approach to the economic situation. With rampant inflation and shrinking resources for development, the projects included in the Plan have lost all significance and interest. Thus the most important decision taken by a full meeting of the Planning Commission early this week was to explore for heads of expenditure that could be axed for controlling the mounting budgetary deficit. A further cut, even in financial terms, in the Plan outlays is now casually accepted as necessary. The axe — protestations about safeguarding the core sector of the Plan notwithstanding — will fall as much on the crucial investment goods sector as on the non-core sector. Since, in any case, not much preparatory work has been done on any excepting a few projects, shortfalls in their execution can hardly be avoided. The project aid of $ 600 million is therefore regarded as so much extra in the kitty. Only a small part of the project and, from the Western Consortium as well as from the socialist countries, is expected to be utilised during the year. No doubt, the Finance Ministry will seek ways of using a part of the project aid to finance non-project imports.

The thrust of economic policy that emerges is one of no growth in the name of containing inflation. A concomitant consequence will be a recession in production and developmental activity which will further strengthen 'the case' for a 'firm' policy towards wages and DA relief. The burdens of the crisis in the economic system is thus sought to be passed on to the shoulders of the working class.

SCIENCE AND TECHNOLOGY

A Department in Search of a Role

R S Ganapathy

THE Department of Science and Technology (DST) has completed three years of existence. Its latest annual report describes its activities during the last fiscal year. In it, there is a reiteration of the Department's role in the planning, organisation, management and co-ordination of science and technology in the various sectors. This all encompassing concept of its role, while it looks elegant on paper, has no basis in reality. The DST's activities do, of course, have to span all these functions to some extent. But the fact is that the other major scientific organisations, such as the Department of Atomic Energy, the Department of Space, and the Defence Research and Development organisations, are all independent of the DST. They derive their budgets directly from Parliament, and it is the Ministry of Finance and the Planning Commission which largely decide on the resource allocation among the various ministries.

The DST has little share in decisions on resource allocation even among the scientific departments. It is, therefore, not possible for it to play the more complex role assigned to it — of planning, co-ordinating and monitoring developments in Science and Technology — without the executive powers that must precede it. At best, it can be an agency where information is collected and disseminated for analysis and which tries to identify the broad long-term research needs and to avoid duplication of projects. It could thus perform a useful staff function for the Cabinet. The Canadian Ministry of Science and Technology, which has an analytical and service role rather than executive responsibility, performs such a function.

But even to play such a service role effectively, the question of whether we can plan for science and technology has to be satisfactorily resolved. True, science and technology are instruments of development, but the magnitude and mode of deployment of these instruments in the various sectors such as agriculture, industry, etc, would depend upon the sectoral goals identified in the socio-economic plan. Once these are identified, the science and technology programmes can be made to fit the sectoral programme. A cross-impact matrix analysis would reveal the nature of the sectoral science and technology programmes, which would then suggest ways of co-ordination, of sharing information, etc. Apart from this, there is no need to prepare an overall Science and Technology Plan. Nowhere else in the world is a national Science and Technology Plan prepared.

Nor has anybody found it necessary or feasible to create an executive agency for it.

Little wonder, then, that the National Committee on Science and Technology (NCST), a unit of DST, after preparing the 'Plan' feels somewhat at a loss as to what to do about it next. Its plan is, at best, only an exercise. It is merely an aggregation of a series of R and D proposals, unconnected to any clear socio-economic goals of production and distribution of goods or income. Moreover, as it is only an R and D plan, it fails to look into problems of investment or of the other forward links of an innovation chain. The user agencies such as the states and the regional bodies are either not associated with, or are indifferent to, the Plan. In any case, they are not funding the projects. The institutional locations of many of the projects are the existing R and D laboratories, which fact will, no doubt, maintain the distance between the R and D scientist and the user — already a prime inhibiting factor in technology transfer. To take just one example, the development of 500 MW power systems ought to be the responsibility of the Ministry of Irrigation and Power, the Ministry of Heavy Industry, Bharat Heavy Electricals, etc. Yet, whereas these agencies have their own separate programmes, DST is funding a 500 MW power project with a minimum of collaboration from the user agencies such as the Electricity Boards. It should not be surprising, therefore, if the investment in this project fails to yield the desired results. Again, employment of nearly 12,000 scientists and engineers is made out to be an objective. But such an objective could be well served by projects undertaken by user agencies and executive ministries.

The Plan is silent on the utilisation of the existing science and technology resources that have been built up over the last 25 years. It elaborates on only the new projects. The Plan is similarly weak in developing programmes for the improvement of rural life — though ostensibly this is a primary goal of our socio-economic planning. A few ideas, like gobar gas plants, are being mentioned; but no integrated schemes as such are in the pipeline. The supply of scientific manpower depends mainly on our universities and technical institutions; yet due to local pressures, these are being expanded rapidly and arbitrarily. The resultant unplanned increase in manpower and the deterioration in the relevant skills will affect the Science and Technology Plan but the DST is helpless to even conceive a co-ordinated plan of action for this problem.

That the benefits of the investments under the Science and Technology Plan will accrue only in the Sixth Five-Year Plan and beyond, is glossed over in the annual report of the DST. Moreover, the anticipated benefits may not relate to the social needs of the future. The DST's Committee on futurology is mapping out only the technological future, not the social future. This seems to be a plan of scientists, by scientists, and for scientists. Others are expected to accept it without raising any serious doubts.

In spite of all these defects, the Plan is a pioneering attempt to forge some links between the social objectives and particular R and D projects. However, in view of the above problems, can NCST monitor the plan? How must it see its future role? The annual report gives no clue to any thinking on these basic problems. Compared with the NCST, the National Committee on Environmental Planning and Co-ordination (NCEPC) has clearly defined roles in research, promotion of environmental quality and regulation. It is evidently examining the environmental impact of major projects. But environment is not a matter of science and technology alone; there is need for a Ministry of Environment responsible for regulatory and promotional functions.

There are a few assorted organisations under the executive control of DST. Among these are Survey of India, National Atlas Organisation and some institutes. Why they have been placed under DST is not clear. They look like related appendages and distract from the main task of the Department.

The National Research Development Corporation too has been given a new lease of life under DST. This organisation for technology-transfer would be more effective under the Ministry of Industrial Development. A number of new organisations like Cryogenic Corporation, Instruments and Machinery Development Corporation, Electronics Components Unit, etc, are assigned to the Fifth Plan. While these public sector companies contribute to the empire-building of the DST, they could be more rationally placed under the Ministry of Industrial Development. Similarly, new agencies for the ocean sciences, technology transfer, information systems, etc, are to be created. In these areas, the following agencies are already operating: National Institute of Oceanography, NRDC, and National Scientific Documentation Centre. What will the new agencies be doing? Similarly the role of the Monitoring and Evaluation Organisation is not described in sufficient detail. The failure of the Monitoring Divisions of the Planning Commission and the Bureau of Public Enterprises should serve as an eye-opener to the DST. It should know that without executive funding power and accountability, "monitoring and evaluation" mean nothing.

The massive increases in DST's budget anticipated in the Fifth Plan appear too ambitious. The organisation simply does not have the capability to grow so fast. What will follow inevitably is the surrender of budgetary provisions. The following figures are revealing:

(Rs in lakhs)

	Budget Estimates 1973-74 (made in January 1973)	Revised Estimates 1973-74 (made in September 1973)
DST Secretariat	32.35	21.49
NCST	27.92	19.96
NRDC	22.00	1.77
NCEPC	13.96	7.95
Survey of India	965.00	803.00

Such massive reduction in the mid-year estimates (actuals at the end of the year are likely to be even lower than the Revised Estimates) can only indicate the slow growth potential of the organisation. At the present rate of inflation, it would mean that in physical or real terms, the outlay and progress would be considerably lower.

What DST can do is to aim at a role similar to that of its Canadian counterpart. It ought to make no pretensions to executive powers, but ought to concentrate on developing user funding of research, on identifying basic and strategic research programmes, promoting the needed managerial and organisational changes, encouraging higher public accountability, and operating an information system in science and technology. At any rate a high-level body on science and technology should stop trying to delude itself and others by frequent use of terms like "maximum extent", "best", "utmost effort", "sustained endeavour", etc, in its annual report. A less pretentious definition of objectives and roles will result in a more meaningful programme for the DST.

GUJARAT

Landed and Landless in Surat District

Virtual Class War

(From a Special Correspondent)

AGRARIAN relations are to be understood for the purposes of this article as the relations between landowners and agricultural labourers. But since there are also owner-labourers or labourer-owners, how are we justified in dividing the population between owners and labourers? It may well be argued that as there are differences of attitude, value, life-style, aspiration, etc, between the 'pure' labourers and the owner-labourers, they cannot be included in the same class.

This objection is valid in many areas of the country but it does not apply in south Gujarat where the landowners and the agricultural labourers are distinctly separate entities. A sort of laboratory situation exists in south Gujarat. But as tribal-non-tribal relations are a complicating factor in south Gujarat, the observations here are confined to the plains so excluding the hill and jungle tribal areas. Of the three administrative districts of south Gujarat, Surat, Bharuch and Valsad, we will concentrate on Surat, particularly during the period of severe political agitation between November 1973 and April 1974. The landless agricultural labourers of Surat district are known as Halpatis. They were formerly known as Dublas. (A good account of their position and relations with the landowners is given by Jan Breman, "Mobilisation of Landless Labourers: Halpatis of South Gujarat", *Economic and Political Weekly*, March 23, 1974, pp 489-96.) Through customary practice supported by the British administration the Halpati was a serf. After Independence the serf legally became a free man. But the old attitudes of the landowners persist. Their expectations of the Halpati continue to be as of old times. The administration also generally looks upon the landowners more favourably than upon the labourers.

Before we deal with the relations between the two classes it is necessary to emphasise that there has been a general change in the character of agriculture in the district since Independence. Agricultural production is no longer mainly for local consumption. It is now market-oriented. The crop pattern has changed. Agriculture in the area has also become more intensive largely due to canal irrigation. These changes have added the elements of industry and commerce to agriculture. Agriculture has also become more capital intensive and less labour intensive, thereby reducing the employment opportunities of unskilled manual labourers such as the Halpatis.

These changes have hit the agricultural labourer directly and harshly. In the absence of alternative employment he has become more open to exploitation in spite of the time and wage fixations by the government. The legislation regarding agricultural labour recognises the change in the nature of the relationship between landowners and labourers but is of no use to the latter as it has never been enforced. Some of the labourers feel that the old system of payment in foodgrains at least provided them with enough to eat; the meagre wages do not do even that.

But generally the change in the nature of agriculture has made the agricultural labourers realise their position as sellers of labour power to the landowning class. Occasionally, however, this employer-employee relationship is side-tracked by caste consciousness which is still an important element in south Gujarat and elsewhere.

Meanwhile, the landowning class has changed its values and has become much more calculating. The general bemoaning of the decline of sincerity and warmth in behaviour between relatives and between castemen and in the hospitality and generosity of the rural rich is evidence of the change in the attitudes of the landowning class. Butter milk is no longer consumed only at home but is sold in the villages and the farmers are no longer generous with their sugarcane, jowar, wheat, bananas and mangoes. They want to earn every paisa from their crops and they grudge inviting even their own relatives to enjoy the first batch of each seasonal crop. It was customary to invite relatives and friends in the *kolu* season (season for making *gur*), in the jowar season for enjoying the *ponk* (a green tender jowar preparation) and in the mango season. Now the complaint is that this is not done or is done grudgingly. But this is not because the landowners have become misers but because they have become more calculating.

In fact, the landowners have become conspicuous consumers. They spend more on others than in the past. But the 'others' have changed and also the occasions. The others are now those who are likely to be useful in buying and selling (businessmen and industrialists), in procuring fertiliser and credit (government officers and other influentials) and in aiding their illegal and illegitimate activities (lawyers, tax experts and other such 'useful' persons). In addition to these useful people there are yet others, connections with whom are supposed to be prestigious, such as professors, writers, journalists, etc. For instance, the landowners might keep a medical general practitioner as a retainer, but they will go to the consultant in the city even for minor ailments. It is more prestigious to do that. It should be noted that all these others are urban dwellers and outside the landowners' immediate environment. All these people also realise the usefulness of the landowners to them.

As for the agricultural labourer, the landowner expects from him the efficiency of the capitalist system but continues to behave towards him in a feudal manner. The landlord expects from him the same servitude and submissiveness as of a serf. These dual expectations — capitalist and feudal — are demanded of each group below one's own in the hierarchy. In this doubly oppressive situation, the lowest groups in the traditional hierarchy suffer the most. The Halpatis as a caste are in that position and so are the other Scheduled Castes and the tribals. Trouble arises when these oppressed groups in their turn begin to expect the relatively egalitarian modes of social behaviour of the capitalist society from the groups which are economically better off. Such tension leads to caste or class conflict, depending on how you perceive the confrontation. The Halpatis or Dublas are in a particularly exposed position as, at the moment, they have no caste or class allies to mitigate their oppression or to help them fight against it. The Halpati-landowner relationship is a pure case of the landless agricultural labourers' relations with the landowning group or an employee-employer relationship.

This relationship has gradually developed into a class struggle since 1947. And in the period, November 1973-April 1974, this struggle erupted in virtual sporadic class warfare. The landowners have been organising themselves for several decades. The token tenancy legislation of 1937 and the lip sympathy paid by the Congress to the Halpatis and other landless labourers were among the factors which convinced the landowners of Gujarat of the need for political and economic organisation to protect and fight for their interests. In 1952 Bhailalbhai Patel organised the Khedut Sangh to oppose land reform legislation. In 1960 he organised the Swatantra party. In 1968 the kheduts (farmers) organised the Khedut Mandal. In 1973 the Khedut Samaj came into existence. A history of these organisations would be a very illuminating study. But for our present purpose it is enough to note that while supporting Congress in general the landowners felt the need for their own separate organisation.

The kheduts have always opposed all land ceiling legislation. When the Congress government in Gujarat introduced a bill in 1973 to reduce the land ceiling, the kheduts of Surat district took the lead in organising the agitation against it. They marched from Bardoli to Gandhinagar, Gujarat's capital, carrying on propaganda against the ceiling bill all the way from Bardoli to Gandhinagar. They also sent their children to Delhi who went in procession to the Prime Minister to submit a memorandum against the bill. The farmers of Surat district, led by those from Bardoli, also organised gheraoes of Congress legislators from the district. They went in their hundreds in tractors, trucks and cars to the houses of the MLAs and sang bhajans for days and nights to persuade them to resign. None of the MLAs resigned.

The bill was ultimately passed and only recently it received the consent of the President and is now an Act. After the bill was passed the farmers took a pledge that no land will be surrendered under the Land Ceiling Act. One leader of the Khedut Samaj was, however, more to the point when he said at a public meeting that the Act would not be implemented "as Congress governments do exactly the opposite of what they profess".

In the meanwhile, the Khedut Samaj has organised 'patrol squads' in 200 villages in Surat district to face any eventuality. Surat's landowners have also organised a Sardar Sena for crop protection. Many licences for firearms have been issued. It is reported that many landowners also possess illegal arms. As reported in the landowners' *Patrika* (Bulletin), these arms are being sold at Vapi at prices ranging from Rs 250 to Rs 1,750. Vapi is the railway station for Daman, the Centrally administered territory from where the arms are smuggled in from abroad.

Another agitation was launched in December 1973 against the government levy on paddy. The levy was not a new measure and previous Congress governments had also been collecting the levy. Why then the agitation this time? Was the measure unjust or unfair and the economic burden on the farmers too heavy?

Previous governments had a flat rate of levy. In 1973 the Chimanbhai Patel government graded the levy according to the type of irrigation, the agency of irrigation (private or government) and the size of the holding. In addition, concessions were given for damage or failure of crop. In 1973 a concession of 25 per cent was given to all farmers because of crop damage due to pests. Leaving aside these concessions, how much would the farmers have to give according to the graded levy fixed by the government?

There are 13 talukas in Surat district and about 70,000 farmers grow paddy. Out of these, all those who own less than 0.35 hectares were exempted from the levy. Thus, only 27,000 farmers out of 70,000 were liable for the levy. Of these 27,000, the smaller farmers would have to give less than the bigger ones. Very roughly, the farmer owning 0.35 hectares would have to give up about eight kgs out of his estimated average production of about 260 kgs. The bigger farmers would be levied at a higher rate, though the average rate of levy would still be very low — around 2.5 per cent. So it can be seen that the paddy levy was by no means unjustly heavy.

It should be noted that in only three talukas — Bardoli, Kamrej and Palsana — did the kheduts start and continue the levy satyagraha. The satyagraha was not resorted to in the adjoining Valsad district which produces a larger quantity of paddy than Surat district. How many in the three talukas were affected by the levy? Of the 13,000 farmers growing paddy in the three talukas, only 6,400, i e, about 50 per cent, were liable for the levy. They were the ones who agitated and offered satyagraha. These farmers were also the ones who had benefited the most from irrigation, being under the direct command area of the Ukai canal which came into operation at the beginning of 1973. It is clear that these rich farmers were not willing to give up any of their gains.

They created a fund to keep the smaller farmers on their side and also used social pressures. If these blandishments and pressures were not heeded, the smaller farmers were threatened with violence if they thought of giving the levy. All this was, of course, done in the name of a non-violent satyagraha.

The levy satyagraha was a major show of strength by the dominant class. It was meant to demonstrate to the government once again that the interests of the rural rich could not be lightly crossed. The satyagraha was withdrawn when it became clear that the government was not serious about implementing the levy on paddy. At the reception given to the satyagrahis released from jail, the President of the All-Gujarat Khedut Samaj said that the most important gain of the satyagraha was that the government had been made to negotiate with the Samaj and recognise it as the representative body of the farmers of Gujarat. At the same meeting, the leader of the Bardoli Taluka Samaj said that they would soon launch a programme of non-payment of taxes.

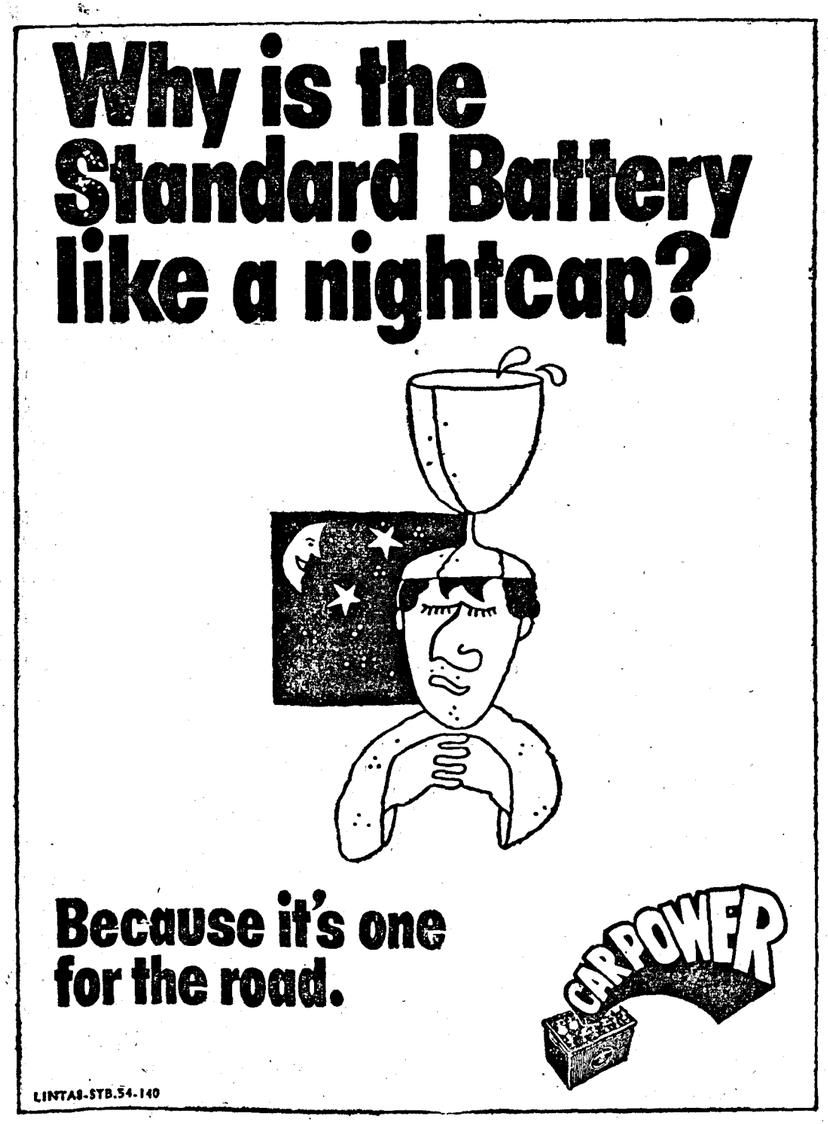
All this is evidence of the rich agricultural interests coming out as a distinct and powerful political force. So far these interests had backed the Congress and been completely loyal to it. But with the introduction of even such token measures as the land ceilings and tenancy bills and the bill for minimum wages for agricultural labour, the Congress could no longer be fully relied upon. So the emergence of a distinct farmers' organisation.

All the three major political parties in Gujarat, the Congress, the Congress-(O) and the Jan Sangh, want to please the kheduts and have no intention of coming to grips with them. This means that party politics in rural Gujarat operates within the ambit of the landed interests. Manoeuvring within and between the political parties, the skill and efficiency of party organisation, the electioneering skills, etc, all work within the shell of the landed interests. All the three major parties and the factions within them want to derive strength from the same source.

None of these three parties nor any other parties, for that matter, have bothered about the agricultural labourer or Halpati. Gandhian or Sarvodaya workers were the only ones involved with the Halpatis. Efforts to prepare the Dubla or Halpati for the 'new society' were started by the Gandhians as early as the 1920s. The Gandhians made a very innocent beginning. They

started a night school in a village to make the Dublas literate. The local landowners opposed even this limited step and the Gandhians had to give up their literacy work in 1927 when Sardar Patel took the position that the alien government must be removed before taking up such issues as literacy among the Dublas. It might or might not have come to the ears of the Sardar, but one of the Dubla leaders is reported to have stated then: "Our *Angrej* (Englishmen) are the Parsis and the Banias". He was referring to the landowners and the moneylenders. The literacy work among the Dublas was given up so that there would be no cause for conflict with the landowners and moneylenders.

But forced ignorance was not enough. Repression followed. During the first Congress ministry there was a police firing on the Dublas. At about the same time the Congress government appointed a committee to inquire into the conditions of the Dublas. Its report was never published. It was only after 1947 that some Sarvodaya workers established the Halpati Seva Sangh. It was only in the 1960s, after several strikes by the agricultural labourers and prolonged pleading by Sarvodaya workers, that a minimum wage of three rupees for an eight-hour day was legislated.



There is, however, no machinery for *enforcing this* law and the landowners often pay less than the three-rupee wage which was fixed in the 1960s. Another method of harassing the Halpatis of Surat is to bring in labourers from Khandesh. The crop pattern has also been changed to items like bananas and sugarcane so that less labour is required. Thus, along with his status of a free wage labourer, the Halpati has also acquired the freedom to be unemployed and the freedom to starve.

Some Halpatis have resorted to minor theft of crops, often to ward off starvation. The kheduts have responded by employing Rakhas or crop protection men. These Rakhas not only protect the crops but also rape unprotected Halpati women. After all this is part of tradition. The high caste landlord has never worried about the modesty of the low caste woman. In any case, what modesty does she have!

The Sarvodaya leadership of the Halpati Seva Sangh has reacted to this oppression in expected style. It has suggested to the government that the latter should create employment for the starving Halpatis. And it has advised the Halpatis not to be impatient with their starvation and to adhere to the Gandhian path.

Despite the Gandhian pleadings of the Halpati Seva Sangh, the first person to be attacked by the kheduts, when the leaders of the Khedut Samaj were arrested on January 3, 1974 for agitating against the levy, was Arvind Desai, the Secretary of the Halpati Seva Sangh at Bardoli. They dragged him out of his house, stripped him and beat him. They pulled out all the belongings from his house and burnt them. All in the name of non-violence! Clearly, in spite of its Gandhian ideology, the Halpati Seva Sangh is considered to be a troublesome obstacle by the kheduts in their efforts to destroy the solidarity of the Halpatis.

The news of the attack on Arvind Desai spread among the Halpatis and they retaliated. They damaged and destroyed the crops, tractors, scooters and bullock-carts of the kheduts and beat up some of the khedut leaders. The fiercest face-to-face encounter between the Halpatis and the kheduts was in the village of Malekpor in Palsana taluka. The Halpatis had axes and other such weapons while the kheduts had guns. In the encounter, khedut bullets injured three Halpatis. But they did not disperse. They fought back and killed one khedut on the spot.

Other such encounters between the kheduts and the Halpatis continue to take place. In the first week of April near a village in Kamrej taluka a Halpati boy was beaten by a Rakha for stealing sugarcane from a field. The boy was brought to the village and he was beaten again by the owner of the field. The Halpatis collected immediately and beat up a number of kheduts and damaged their property. The Halpatis from the surrounding villages also came up and surrounded the village. Nobody was allowed to go out of the village or enter it till 1.30 at night when a police party arrived and cleared the blockade.

Virtual class war is the reality in the district. And the conflict is becoming sharper as the agrarian structure gets transformed and the Halpatis and kheduts see each other quite clearly as opponents. This state of class war has not been created by the communists because none exist in the district.

KUALA LUMPUR

China Confuses Communists

Harish Chandola

SOME serious incidents took place in Malaysia on the eve of the visit of the Prime Minister, Abdul Razak, to China and immediately following his return, which political observers interpret as pointed reminders by the insurgent forces that political activity or struggle in Malaysia can never be controlled or guided by China. Because Razak has initiated peaceful, normal relations with China, it does not follow that the forces conducting an armed struggle for "the national liberation of Malaya" during the past 30 years, will now lay down their arms and change the nature of their struggle by seeking power through elections. Though the Malayan Communist Party is still banned, Razak on his return here from Shanghai on June 2 announced at a public rally that those fighting with arms would be permitted to participate in politics if they laid down their arms.

Of the two major incidents which occurred recently, in the first on May 23, 68 pieces of road-building machinery, including 18 big bulldozers valued at Malaysian $ 15 million (about Rs 45 million), spread over 40 miles of Malaysia's northern border where an east-west highway is being built, were blown up in one single operation by Communist forces. Then on June 7, the Inspector-General of Police of Malaysia, Abdul Rahman, who for nearly 30 years had worked in the Special Branch which deals with the activities of Communists and other left-wing organisations, was gunned down in broad daylight in one of the busiest parts of Kuala Lumpur while going to his office by two men who escaped.

Though the internal affairs of Malaysia can at very best be only slightly influenced by the establishment of ties with China, left-wing forces in Malaysia are suffering great discomfiture at the moment with China disregarding their opinion. And since these forces are fighting against Malaysia's ruling elements, this discomfiture is of advantage to the rulers. The left-wing forces are not entirely composed of highly politically educated and experienced persons who might not be affected by this discomfiture. Like in other movements, there are in the Malaysian left-wing movement, besides its hardcore political leadership, fringe groups in the process of receiving education. These fringe groups have come into the movement for various reasons, one of which has been the support for their movement by China, the first Asian country to lead a successful revolution. These elements are certainly going to be confused by the new attitude of China towards Malaysia. It will not be surprising to find them feeling less interested, less active and even disheartened to a point where they may even cease to stand at the periphery of the left movement where they are now. And their attitude can affect others. Consequently the left movement may experience a temporary setback. Any confusion in the ranks of this movement and any setback to it is of great advantage to Razak and other ruling leaders.

The Malayan Communist Party and its supporters have seen Razak being received in China in a manner in which very few other visiting dignitaries have been received. There were 10,000 people at Peking airport to welcome him and 100,000 at Shanghai. The streets were lined with people to greet him. The Chairman of the Communist Party of China, Mao Tse-tung, invited him for talks and talked with him for 90 minutes; the aging Prime Minister, Chou En-lai, who now feels easily tired and who on his Party's orders is cutting down his activities, not only came out to hold two rounds of talks with Razak and to sign the agreement

on the establishment of diplomatic relations, but also attended the banquet for the Malaysian leader. China received Razak with great warmth and treated him with the highest courtesy. And back home all these years the Communists in Malaysia have been calling Razak a reactionary, a follower of Western powers and the enemy of the people. Some of the Communists must now be wondering if they were right. If they were, then certainly China would not have displayed such friendship for him!

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Decorative Press Council

Nireekshak

EVER since its inception the Press Council has never had the legitimacy and, therefore, the moral sanction needed to function as a regulatory body or as an organisation charged with safeguarding the freedom of the Press. The tenure of the present Council — the second since the inception of the body — ended in September 1973 but was extended until June 30, 1974 and is likely to be further extended until early 1975. The impasse leading to the extension of the life of the present Council began when some members of the Nominating Committee — comprising the Chief Justice of India, the Chairman of the Rajya Sabha and the Speaker of the Lok Sabha — resigned shortly after the constitution of the Council in 1970, following serious criticism of the manner in which the personnel for the Council had been chosen. The government seems to have been hopeful that those who had resigned could be persuaded to relent. But when it was time to reconstitute the Council, there was no Nominating Committee. The tenure of the present Council was extended and an advisory committee of MPs was asked to report to the government about the machinery for nomination of the chairman and members of the new Council. The Press Council Act of 1965 would have to be amended to implement the committee's recommendations.

The Press Council was a non-starter because working journalists were never represented on it in adequate number and the nominations were the subject of controversy. The first Council was constituted on the basis of nominations by the Chief Justice of India, the chairman nominated by him and a nominee of the President of India. It provided representation to organisations of newspaper proprietors, editors, working journalists and Parliament, besides other people of standing. The only organisation of working journalists then, the Indian Federation of Working Journalists, resented the weightage in favour of a proprietors' organisation like the Indian and Eastern Newspaper Society and a near-defunct organisation of dummy editors like the All-India Newspaper Editors' Conference. Worse, proprietor-editors were nominated to represent working journalists. The IFWJ directed its representatives in the Council to resign even before the first meeting of the Council was called. The vacancies remained unfilled and the truncated Council jogged along listlessly until a member representing Parliament resigned to highlight the alleged high-handedness of the chairman, R S Mudholkar, a former Supreme Court Judge. Following criticism of the Council's functioning in Parliament and in the Press, the chairman resigned and thus ended the inglorious existence of the first Council.

The government felt obliged to amend the Press Council Act on the basis of advice from Parliament. After a short vacuum, the Council was reconstituted in 1970. But the representation of the Council left much to be desired. The IFWJ's panel for consideration by the Nominating Committee did not reach it in time and therefore the IFWJ did not find representation at all. The organisation styling itself the Press Association of India but representing only Delhi-based special correspondents — and better known for its real estate activities than for its concern for the profession — was treated on par with the IFWJ for purposes of representation in the Council. Since the IFWJ's panel did not reach the Nominating Committee in time, the entire working journalists representation went to the Press Association. In the result, for the second time in succession, the IFWJ went unrepresented in the Council. The second Council again had representatives of bodies like the IENS and AINEC besides the Indian Language Newspapers' Association.

The balance sheet of the Council for the years of its functioning is far from impressive. True, it has in a few cases held the denial of advertisements to some newspapers by state governments *mala fide* and underscored the principle that there should be no political or other discrimination in the matter of distribution of advertisements. It has pulled up a few editors for professional misdemeanour. But there is nothing to ensure that the state governments do not defy the Council. The Information and Broadcasting Minister, Inder Gujral, has ruled out the proposal to give some teeth to the Press Council because that might create problems!

The Press Commission, some 20 years ago, wanted the Indian Press Council to be patterned on the lines of the one in Britain. The initiative in Britain had come from the Press, but in India the Council has been sponsored and financed by the government. It cannot therefore be deemed an independent body despite a few rulings critical of the government. The Council has no moral sanction because it is not primarily a body of journalists. So far, its secretaries have been government officials or former government officials and it is likely that the next one too will be a retired or serving government official. The two chairmen so far have been retired judges of the Supreme Court.

The types of complaints made to the Press Council suggests that the state governments have scant regard for the freedom of the Press and that harassment of papers and individual journalists is all too common at the state level. Much of such harassment goes unreported to the Council because those who might like to make the complaints do not consider the body a legitimate one. The Press Council will lack legitimacy as well as credibility as long as it is a government-sponsored body without powers to compel state governments to abide by its rulings. For instance, the Council has observed that advertising matter should be distinguishable from editorial matter and that papers should declare, along with advertisements from embassies, the the amount they get paid for them. This observation was on a reference to it by the Information and Broadcasting Ministry. The marathon advertisements of a certain diplomatic mission are now formally described as advertisements but the amounts paid remain a mystery. Legislative action might be needed to enforce this requirement because newspapers do not recognise the right of the Press Council to insist on such things.

Revised Estimates of National Product, Saving and Capital Formation

Estimates of National Product, Saving and Capital Formation, 1960-61 — 1971-72; Central Statistical Organisation, Department of Statistics, Ministry of Planning, Government of India, November 1973; pp 32.

TWO and a half years after the publication of the *Estimates of National Product, 1960-61 — 1969-70* (May 1971), the Central Statistical Organisation (CSO) has released the latest estimates in its publication entitled Estimates of National Product, Saving and Capital Formation, 1960-61 — 1971-72 (November 1973). 'Quick' estimates of NNP for the year 1972-73 have also been released alongside in a cyclostyled sheet. The provisional estimates for 1970-71, which are now made available along with those for 1971-72, should have been released at least a year and a half earlier. Furthermore, figures of national product at factor cost by industry of origin for the years 1966-67 to 1969-70, which were provisional in the May 1971 White Paper, continue to be so even after two and a half years, which is indeed a matter for despair. We are also warned that due to various reasons, the present estimates of national product for 1970-71 and 1971-72 are not strictly comparable with the estimates published for the earlier years in the May 1971 White Paper. Revision of methodology in the estimates of 'Construction' and use of revised data for 'Other Services' are stated to be the main reasons for this incomparability. The continuity of the series is thus broken; but we are told that it is proposed to undertake revisions for the entire series and publish a comparable series in the next White Paper in "early 1974".

A notable feature of the latest estimates is the publication of the series on saving at current prices and gross and net capital formation at current and constant prices for the years 1960-61 to 1970-71, with the last three years' figures being provisional. So far, a table on Capital Finance giving on one side figures of capital expenditures and on the other side figures of sources of finance was being published. But now details of net domestic saving by three main sectors, *viz*, household, private corporate and public sector, as well as of gross and net capital formation by public and private sectors and by type (i e, construction, machinery, inventory build-up) are available in addition to the consolidated accounts on capital finance for the first time in an official White Paper on national income. This improvement is welcome. But it is not clear how the saving and capital formation figures are final for 1966-67 and 1967-68 when the national product figures for these years are still provisional.

We shall focus attention on some effects of changes in methodology, classification, etc, rather than analyse the national income figures. There is some reason to believe that the revised figures lead to higher estimates of total value of 'construction', which in turn lead to upward revisions in the figures of capital formation, saving and contribution to national product. The upward revisions come at a time when we are in need of higher levels of incomes, capital formation and savings and the state of economy does not help in the matter. It is, therefore, necessary to study the impact of the revisions in the figures and examine, if possible, whether the changes in methodology, etc, which make for upward revisions can be justified.

It is relevant to observe that the share of the construction sector in the net domestic product (NDP) ranged from 4.4 per cent to 4.7 per cent between 1960-61 to 1969-70 but has now jumped to 5.4 per cent for the years 1970-71 and 1971-72. Lest someone argues that this could be possible because of lower NDP from other sectors, we must also note that the contribution to NDP from construction jumped by Rs 381 crores from Rs 1,485 crores in 1969-70 to Rs 1,811 crores in 1970-71. The increase of Rs 210 crores at constant price for 1970-71 over a year is also the highest so far. The increase was never so high in the 1960s, and the largest increase was about Rs 200 crores at current prices and Rs 72 crores at constant prices. The increase from 1970-71 to 1971-72 is also only Rs 136 crores at current prices and Rs 10 crores at constant prices. The contribution to GDP by construction also similarly goes up. It is, therefore, safe to presume that change in methodology, etc, has contributed substantially to the large increase of Rs 381 crores in 1970-71. How much exactly this contribution is, it is difficult to say. One would have been wiser in this matter had the provisional figures of NDP and GDP for 1970-71 been worked out on both the original and the revised methodologies, sources, etc, not only for construction but for all sectors. This would have enabled one to measure the total impact of methodological changes. If the upward revision in the contribution of the construction sector to the NDP or GDP were only to the extent of about one percentage point, one would not have much reason to critically examine these revisions; for its total impact on NDP or GDP would still be small. However, the real impact of the revisions in the figures of value of construction is on the estimates of capital formation and saving, which we may now discuss.

Figures of gross domestic capital formation (GDCF) in construction based on earlier methods, sources, etc, and broken down according to various categories are available in the CSO brochure on Estimates of Capital Formation in India, 1960-61 to 1965-66. Similar figures worked out on the earlier methodology for years subsequent to 1965-66 are not available. Figures given in Table 11 of the November 1973 White Paper and based on the revised methodology and using more recent sources of data can therefore be compared with earlier figures for the period 1960-61 to 1965-66 only. Available data on net basis are reproduced in Table 1.

It can be seen that the revised figures are somewhat higher except for 1962-63 in respect of the totals. The figures for public sector are lower and consequently the figures for the private sector are much higher for the revised series than the corresponding figures for the earlier series. For 1965-66, the figures for private sector is Rs 1,006 crores as against Rs 811 crores for the earlier series, which means an upward revision by almost 24 per cent. This aspect of the upward revision in the figures of GDCF in private sector and, more particularly, in construction has another implication which we shall see while discussing household savings figures. Figures for 1966-67 and 1967-

68 in respect of the private sector also show increases of about 53 and 36 per cent, respectively, over the preceding years when public sector construction shows declines. The revisions in the figures for public sector would have been done on the basis of government expenditure as reflected in the budgets or in the Economic Classification of government expenditure. There is not much scope for using ingenuity in revising these figures. But in regard to the total value of construction, there is scope for manipulation.

It is a pity that similar comparisons for the years 1966-67 to 1970-71 cannot be made for want of figures of GDCF in construction based on the earlier methodology, sources, etc. For it is for these years that the more recent data and the revised methods must have been more fully employed. The total GDCF can be compared as shown in Table 2 for the period 1960-61 to 1967-68 on the basis of three sources: (1) CSO's brochure on capital formation, (2) CSO White Paper of May 1971, and (3) CSO White Paper of November 1973.

Private sector capital formation from construction contributes about 40 per cent to the total capital formation, and the dominance of the household sector in the private sector capital formation is quite well known. Physical asset formation in the household sector is also an important component of the household saving. We thus see that upward revisions in the figures of capital formation in the private sector will have their impact on household saving also. Table 3 shows that the household net domestic capital formation (NDCF) generally formed anywhere from about 50 to 80 per cent of the private sector NDCF according to the earlier series, but according to the revised series the dominance of the household sector has substantially increased in recent years. In 1968-69, the household sector figure is even higher than the figure for the private sector! Not that this is impossible. But it looks odd that it should be so. If, for instance, the private corporate sector, which is another component of the private sector had negative net capital formation, households could have a figure higher than the total for the private sector. If changes in stock are high and positive for the household sector and also high but negative for the private corporate sector so that on balance the figures for the private sector comes to Rs —37 crores, as

TABLE 1: GROSS DOMESTIC CAPITAL FORMATION IN CONSTRUCTION
(Current Prices)

(Rs in crores)

Year	Earlier Series			Revised Series		
	Total	Public Sector	Private Sector	Total	Public Sector	Private Sector
1960-61	1318	678	640	1346	645	701
1961-62	1456	754	702	1465	721	744
1962-63	1569	915	654	1553	874	679
1963-64	1766	1148	618	1771	1101	670
1964-65	1987	1350	737	2042	1198	844
1965-66	2220	1409	811	2359	1353	1008
1966-67	—	—	—	2733	1191	1542
1967-68	—	—	—	3155	1055	2100
1968-69	—	—	—	3309	1229	2080
1969-70	—	—	—	3710	1435	2275
1970-71	—	—	—	3915	1541	2374

Source: Earlier Series: Table 6 of CSO Brochure on Estimates of Capital Formation, 1960-61 to 1965-66.
Revised Series: Table 11 of the CSO's November 1973 White Paper on *Estimates of National Product, Saving and Capital Formation.*

TABLE 2: GROSS DOMESTIC CAPITAL

(Rs in crores)

Source	1960-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68
(1)	2401	2500	2850	3347	3799	4269	—	—
(2)	2458	2459	2883	3372	3765	4283	4587	4810
(3)	2516	2463	2885	3361	3820	4562	5007	5348

Note: Closeness of the estimates upto 1964-65 and the marked upward revisions from 1965-66 in the latest series deserve to be noted.

shown, then also the household sector's net physical asset formation can exceed that of the private sector as a whole. But we do not have these figures separately to be able to examine how exactly this happens. It is important that these details are given, particularly when the data needed are not fully revealed and crude methods are employed. One must at least know how figures are used and what the factors causing such apparent anomalies are.

The point, however, is that upward revisions for capital formation in the private sector and greater dominance of the household sector in recent years gives an upward push to household savings. For the years 1960-61 to 1965-66 for which figures for the household sector saving are available for both the sets (i e, earlier and revised) one can see the differences, as detailed in Table 4.

Thus, except in 1965-66, the revised figures of financial assets are somewhat smaller for the revised series, whereas in the case of physical assets formation, differences are positive except for one year, and it is these latter differences which largely explain the overall differences between the two sets of figures. An exception to this statement is 1965-66 which has a large difference in financial assets also, because of an upward revision of Rs 155 crores in 'investment in shares and debentures' and a downward adjustment of Rs 55 crores in currency plus net claims on government sector. But even here, upward revision in household physical asset formation is as high as Rs 157 crores. Insofar as household construction accounts for a large percentage of the total household physical asset formation (the exact figure cannot be worked out from data) and the former also constitutes a very large proportion of the capital formation through private construction, the upward revision in this last mentioned component affects in the same direction the important component of household saving in the form of physical asset formation.

It is also to be noted that household net saving in the form of net physical asset formation is over 60 per cent of the total household net saving; and the latter component again accounts for about 60 per cent of the total net domestic saving. This means that household net physical asset formation accounts for about 36 per cent of the net domestic saving. Indeed, in the recent years 1966-67 to 1968-70, affected by changes in methodology, etc, more fully than the earlier years, the percentage share is around 45-50

TABLE 3: NET DOMESTIC CAPITAL FORMATION — PRIVATE SECTOR

(Rs in crores)

	Earlier		Revised	
	Total Private Sector	H H	*Total Private Sector	H H
1960-61	637	294(46.15)	825	427(51.76)
1961-62	675	346(51.26)	853	317(37.16)
1962-63	635	440(69.29)	773	481(62.23)
1963-64	844	460(54.50)	939	481(51.22)
1964-65	942	628(66.67)	1179	679(57.59)
1965-66	022	857(83.86)	1154	1014(87.87)
1966-67	—	—	1727	1328(76.90)
1967-68	—	—	1619	1603(99.01)
1968-69	—	—	1708	1736(101.64)
1969-70	—	—	2030	1751(86.26)
1970-71	—	—	2013	1950(96.87)

* This is not adjusted for 'errors and omissions' component.

Source: (i) Earlier series: *Table 7 in CSO's Estimates* of Capital Formation, 1960-61 to 1965-66.
(ii) Revised Series: November 1973 White Paper on National Product, Saving and Capital Formation.

TABLE 4: HOUSEHOLD SECTOR SAVING

(Rs in crores)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66
Financial assets	—1	—2	—4	—8	—21	+100
Physical assets formation	133	—29	41	21	51	+157
Total difference	132	—31	37	13	30	257

per cent. With this dominance, sizeable upward revision in the household physical asset formation also pushes up the figures of net domestic saving. For instance, an increase of Rs 157 crores in 1965-66 in the household net physical asset formation just because of revisions would mean, other figures remaining the same as in the revised estimates, an increase of over 6 per cent in the total net domestic saving. This should indeed be welcome when we are in search of resources.

In examining how the higher percentage shares (as also the large absolute increment) for the contribution of the construction sector to NDP or GDP in the years 1970-71 has been brought about, we need to comment on the earlier and revised methodology and other changes. To state it briefly, the method is a combination of the commodity flow and labour evaluation methods. The former method is applied to the organised part of the economy where materials are bought and paid labour is generally employed, and where allocation of different building materials like iron and steel structurals, cement, bricks, and tiles, etc, to different uses are made. The labour evaluation method is used where own labour and free materials (like grass, leaves, seeds, mud, etc) are used in construction as in large parts of rural areas and to some extent in urban areas as well. A very substantial proportion of the total value of construction is accounted for by the commodity flow method. A very basic characteristic of this method is that it involves assuming proportions of allocations to different uses and mark-ups for transport and distribution charges.

One's heart would sink on reading the relevant chapters on the methodology in the Brochure on 'Estimates of Capital Formation in India, 1960-61 to 1965-66'. One has to work out how much iron and steel is used for machinery, construction, etc; how much of that going to construction is used in different uses — new construction, major repairs, minor repairs, alterations and so on. So also for cement, bricks and tiles, etc, CSO has somehow worked on these allocation ratios. Then come mark-ups for trade, transport and other charges. Adhering to these figures of ratios, mark-ups, etc, may be a virtue on the part of CSO but certainly it is no proof of accuracy. There are no independent cross-checks of these ratios and mark-ups.

It is not clear at all how year-to-year variations in these allocative ratios and distributive mark-ups are worked out and how precise these are. This needs to be spelled out. If no changes are made so much the worse, since shifts of materials used among construction, machineries, inventories, etc, and of trade and transport mark-ups are not then reflected in annual calculations. To these costs, a certain percentage is added — roughly 33 per cent — to arrive at the value of construction through the commodity flow method. The labour evaluation component is also worked out on various assumptions, outdated surveys, etc. From the combined value of construction, the value of repairs and maintenance is deducted to arrive at gross capital formation from construction. All these allocations, mark-ups, deduction percentages, etc, are no doubt based on heroic assumptions and guesses. The value added component in respect of the commodity flow component plus the labour evaluation in the second component give the estimate of total value added or national product from construction.

Comparing the figures of gross capital formation from construction (earlier series) for 1960-61 to 1965-66 and gross national product from this sector for corresponding years, one finds that the latter figure was 48.3 per cent for 1960-61; it was around 46.5 for the next 4 years and then declined to 44.2 per cent in 1965-66. It is over 49.7 per cent for 1970-71 where the change in methodology is applied to national product estimates also. We may add that it is not possible to work out GDP from construction as percentage of total value of construction which would be a more appropriate ratio. If the ratio of GDP from construction to total value of construction also moves in the same way, then it can be said that upward revisions in the total value of construction activity plus a somewhat higher proportion of this total value assigned to gross product from this sector has resulted in a handsome increase in the contribution of contruction activity to national product. This would explain how its proportion to total NDP or GDP, as the case may be, is now 5.4 per cent as against around 4.5-4.7 per cent in the years 1960-61 to 1969-70 and how, in absolute terms, the increase in 1970-71 is of over Rs 381 crores.

In the Foreword to the November 1973 White Paper, it is mentioned that "the present estimates of national product for 1970-71 and 1971-72 are not strictly comparable with the estimates published earlier (May 1971). This is mainly because of methodological changes in the estimates of construction and use of revised data for 'other services'." When we turn to Notes (page 29 of November 1973 White Paper), all that is said is: "Methodology adopted for obtaining current price estimates of total value of construction has been *slightly* changed, leading to a revision of estimates of product from construction as well. The total value of construction accounted for in the commodity flow approach has now been revised to take into account the movement in prices of 'other construction materials' and 'wages' as well besides the adjustments for changes in prices of the five basic construction materials." Additionally, revised data becoming available for 1965-66 and subsequent years have been made use of. How small or big is this *slight* change is not mentioned; what changes or revisions are in fact effected is not stated in quantitative terms; what effect the new data has on the estimates cannot be made out and exactly how ratios, mark-ups, etc, have changed are things not yet known. It is, therefore, difficult to determine how exactly the revised estimates have received an upward push. We have to await more details with the promised revision of the current series of GNP and NNP. We have already seen that the series of capital formation from construction and household saving in physical assets formation has also been affected through these revisions.

For constant price series, it seems that a more detailed procedure has been followed to obtain the total value of construction at 1960-61 prices; the proportion of gross product to the total value of construction in the base year (i e, 1960-61) has then been applied to the constant price total value of construction. The little details that appear in the 'Notes' suggest use of allocative ratios, mark-ups, etc, to five parts into which construction is divided. This in fact appears to add to the arbitrariness of the entire calculations rather than make for better accuracy. It is also doubtful if constancy of the proportion of gross product to total value of construction can be considered as a methodological improvement. Such a constant proportion would not reflect structural changes. There is no reason for this proportion to remain constant.

Even if one gives the benefit of doubt that the upward revisions are really due to changes in methods and additional data becoming available, etc, and not the result of a deliberate attempt to push up the levels of product, capital formation and household saving in the form of physical asset formation, it will be seen that as long as these estimates are based wholly on allocative ratios and mark-ups, it would be a misnomer to call estimates based on the revised methodology better estimates. To the extent that more recent data become available, figures could be revised, but any changes in the ratios, etc, are bound to be as arbitrary as before because neither the earlier nor the revised set of ratios and mark-ups have that strong base necessary to inspire faith in them. What is needed is a cross-check at least at some points of time if not every year; and any effort directed at developing such cross-checks would pay richer dividends than re-working arbitrary ratios, mark-ups, etc. This is particularly true in respect of private sector construction, and more specifically for household construction, inasmuch as figures of value of construction, value added, etc, could be independently determined with some measure of accuracy in regard to public sector and private corporate sector. It is to be hoped that CSO will concentrate on developing these cross-checks.

The change in the methodology, etc, for the construction sector is a major one and its impact we have discussed. Another important change refers to the calculation of change in stock. In the earlier capital formation series, this component comprised inventory changes calculated for different sectors on certain assumptions and a balancing item termed as 'errors and omissions'. But both were combined. In the revised series, these two components are separated and in the computation of inventory changes some methodological changes have been introduced. 'Error and omission' represents an overall adjusment factor between saving on the one hand and capital formation on the other after necessary adjustment for net lending abroad, etc, as can be seen in Table 13 of the latest White Paper (November 1973). The figures of change in stock in the earlier series differ considerably from the sum total of the two components in the revised series. This shows that calculations have been thoroughly revised and are not a mere split of the figures of 'change of stock' in the earlier series. However, what value can be attached to these figures of inventory changes for economic analysis is open to doubt. Several items are computed on the assumption of constant proportion of stock to production (and that also at manufacturing level only) and these methods would introduce spurious relationships, leading to conclusions which may be different from real facts. It has already been seen that one of the possible reasons why net household physical asset formation exceeds net physical asset formation of the private sector as a whole (in 1968-69) is that a large positive figure of inventory change can be assigned to household sector and a compensating negative figure to the private corporate sector, although on the balance inventory change figure is a small negative figure for the entire private sector. This sort of computation may boost the saving figure, but in the capital finance account of the nation, a corresponding large 'error and omission' might result. The 'error and omission' component is also sizeable for recent years: Rs 628 crores (or over 9 per cent of gross accumulation) in 1970-71; Rs 197 crores and Rs 170 crores in 1967-68 and 1968-69, respectively. Detailed data are not available to examine whether this has not in fact happened. For, if it has, it would be a sorry commentary on the compilers of national income accounts. In the earlier series inventory change for household sector was being separately calculated, presumably because the change in stock estimate for the entire economy came out more or less as a residual in the capital finance account. Now that an 'errors and omissions' component is the balancing item, it is not quite clear whether household sector inventory changes are still being separately worked out or are derived as a residual when total change of stock and that for the corporate sector are independently available.

Among other changes of some consequence, some classificatory shifts may be mentioned. The 'storage' sub-sector has been now taken to the transport and communication sector; earlier, it was with the trade and hotels and restaurants sector. Similarly, the 'business services' component has been separated from 'other services' and added to 'real estate and ownership of dwellings' sector. In each of these changes, the contribution to national product of the components shifted around is not separately known. If the CSO were to give the figures for such components separately when changes occur in classifications, one could make the sectoral series comparable with previous figures to the extent one can by readjusting the 1970-71 and 1971-72 figures. At least for 1970-71 to 1972-73 separate figures should have been therefore given. Obviously, when the whole sector like mining and quarrying is shifted to the primary sectors for subtotal purposes, nothing is lost because, even for earlier figures, one can follow the same procedure. But when component items are shifted and their individual contributions are not known, it becomes impossible to make adjustments.

One can only hope that the CSO will release figures of the revised series of national product and details of methodological changes, new sources of data used, etc, soon. In particular, it would be important for the CSO to discuss in great detail how private sector GDCF in construction, change in stock and specifically household physical asset formation are computed and what are the premises on which figures of allocative ratios, transport and distribution mark-ups are arrived at. One may also hope that steps will be taken at the earliest to develop other, more reliable methods of estimating value of construction, its value added component, capital formation in private sector and particularly in the household sector; if not, at least that reasonable cross-checks will be developed without much delay.

SPECIAL ARTICLE

India: An Arrangement at Stake

Arun Shourie

The country is today in the throes of a crisis much worse than any that has plagued it since Independence. The economy has ceased to progress. Per capita income is probably lower than it was a decade ago. Prices are rising by about 30 per cent a year.

The government's food procurement and distribution policies are in disarray. The public distribution system for essential commodities is now completely at the mercy of those very traders whom the government had sought to drive out of the wheat trade last year and whom it has often accused of profiteering and anti-social behaviour.

The much-advertised Fifth Five-Year Plan has been buried amidst ignominious bickering even before its official commencement. The document itself has not been finalised.

The current crisis is the inevitable consequence of the economic and political system that the Indian elite has engineered for its own benefit. Its inner contradictions have paralysed this self-serving system.

As the difficulties have become more acute during the past year, economists of all hues have rushed in with their quaint suggestions about money supply, distribution of public outlays among the different sectors, about this control or that licensing procedure. They seem to have proceeded on the assumption that government functionaries do not know what needs to be done. They have not realised that the matters they have talked about — money supply, budgetary deficits and the rest — are just symptoms of a deeper malaise. Our difficulty is not that we have run out of ideas but that our polity has been gravely abused — abused by the very leaders to whom the economists have been peddling their aphrodisiacs.

This political arrangement is now straining at the tether. Ideas — old or new, orthodox or unorthodox — will not work till the polity is set right.

I DO NOT know of any country that has as much unexploited — and immediately exploitable — potential for advancement as India. Nor do I know of any country in which the masses live in as much deprivation and squalor, in which they suffer as much, and in which they do this to as little purpose as in India.

Today, the country is in the throes of a crisis much worse than any that has plagued it since Independence. The economy has ceased to progress. Per capita income is probably lower than it was a decade ago. Prices are rising by about 30 per cent a year. The economy does not have the resources to import the oil it needs and we are unable to move the coal we have in abundance to its potential users. Engineers and workers in power plants have begun to sabotage the plants and the transmission network. Just as the economy was recovering from a massive strike by power engineers and by workers in jute and textile industries, employees of the Central government, railwaymen, and others once again were to bring the productive apparatus to a near-halt. The government's food procurement and distribution policies are in disarray. The public distribution system for essential commodities is now completely at the mercy of those very traders whom the government had driven out of the wheat trade last year and whom it has often accused of profiteering and anti-social behaviour. The much-advertised Fifth Five-Year Plan has been buried amidst ignominious bickering even before its official commencement. The document itself has not been finalised. Violence, arson, police firings have become a daily occurrence and are fuelling each other.

The government has watched this mounting crisis as a paralytic would view a rising flood. Its principal lead-

ers are now betraying signs of hysteria. Everyone within reach is being maligned as a 'fascist', a 'Right reactionary', a 'Left adventurer', a 'foreign agent'. The hysteria has not spared even the tallest Indian in the land — Jayaprakash Narayan. The Indian government would have us believe that the crisis is primarily a conspiracy of these *agents provocateur* and in part a result of 'world-wide phenomena' (like rising prices of oil, wheat, fertiliser, steel and the like), bad harvests, and the two-and-a-half-year-old influx of refugees from Bangladesh.

Each of these pseudo-explanations is just an alibi. I shall argue that the current crisis is the inevitable consequence of the economic and political system that the Indian elite has engineered for its own benefits. I shall argue that its inner contradictions will paralyse this self-serving system, that the crisis will intensify in the near future, and that the issue will soon be joined. I shall also argue that the issue will be resolved in favour of India's impoverished masses and that it will be resolved at their initiative. The most hopeful feature of the current crisis is that the ordinary people of the country are beginning to stir. They are beginning to realise that governments, legislatures, secretariats will not be agents of the sort of change that will help them. They are regaining the self-confidence that Mahatma Gandhi preached, and they are now beginning to work for their own deliverance.

The clinical tone of the article should not lead the reader to believe that I am charging some amorphous and unnamed bunch of characters. The responsibility for the current crisis rests with India's well-to-do; in particular, with the country's dominant political party — the Congress — which represents the well-to-do; and, even more specifically, those handful of leaders who have controlled this party in an increasingly authoritarian manner in the last decade — leaders in whom the Indian people had reposed trust and hope.

I

The basic facts about India are well known. The country's population is increasing by about 13 million a year — a figure that equals the total population of Australia. Since the country became Independent in 1947, its population has increased by a number that equals the total population of the United States. Even official documents acknowledge that about 225 million of the country's citizens are so poor that they cannot afford even a diet sufficient in calories. Some studies suggest that the lot of the poorest sections is worsening. Millions — among them hundreds of thousands of educated young men and women — are without a job, without any means of earning a livelihood. As if this were not enough, the labour force is slated to increase by 70 to 80 million in the next 10 years.

Instead of devising an economic and political system that would contain these enormous pressures, a system in which property relations and the values by which people live would be drastically altered — a system, in brief, that would serve the masses — the Indian elite has devised an elaborate ruse. The elite has devised a ruse to serve the rich while fooling the poor into the belief that everything possible is being done for their welfare. The ruse has been conjured out of three elements: a system of property relations and economic policies that looks after the well-to-do; soporifics that fool the masses and rationalisations that 'provide succour to the elite. The ruse is best epitomised by the Congress party, which has held power at the Centre and in most of the states since India became Independent. This party serves the rich. But, with the aid of some progressive slogans and a lot of illicit money, it has been consistently able to fool 30 to 40 per cent of the electorate into believing that it has the people's interests at heart.

Successive Indian governments have fabricated extensive mechanisms to protect the interests of the rich peasantry and the industrial class. These include a completely protected market, restrictions on entry and expansion that virtually eliminate competition among domestic producers, 'price controls' that enable producers and middlemen to rake in illicit earnings without ensuring consumers even the slightest protection, a tax-collection machinery that is notoriously ineffective, an enforcement machinery that can only be described as evanescent, a pattern of investment and taxation of agriculture that benefits the better-off, and so on.[1] These policies have also ensured that patronage and discretion are securely in the hands of the politician and the administrator. The patronage, in turn, has enabled politicians and administrators to milk the principal beneficiaries for all kinds of hospitality.

Having devised a system to look after its interests, the Indian elite has been anxious to ensure its continuance at the least possible cost. For this, it has adopted the easy — and peculiarly Hindu — way of containing pressures. The way is to leave the existing configurations of power undisturbed (in fact, where this is possible, to re-inforce the configurations), and, while ignoring the ordinary members of these configurations, to expend all efforts at cajoling and buying-off the ring-leaders.

A consideration that is often in the minds of party caucuses when they are selecting candidates for an election illustrates this point. In viewing a constituency, most parties pay considerable attention to its caste composition. Each will select a member of the dominant caste and the dominant economic group (literally the 'dominant' and not necessarily the more numerous) as its candidate. After the elections, the successful candidate is ensured all sorts of privileges and positions. Official patronage — in the form of appointments, jobs, development outlays — is channelled through him. What is more, he is vested with considerable power for embarrassing, harming, transferring, and rewarding administrators, police officials, and others, who can affect the lives of his constituents. In this way, members of the group are continually reminded about their dependence on the leader, and the leader having been thus looked after bends all his efforts to perpetuating the existing arrangements.

This stratagem — of co-opting ring-leaders — has been used in its most blatant and cynical form for keeping three groups in line: the Muslims, the scheduled castes, and the organised labourers. Ring-leaders among Muslims and scheduled castes have been given ornamental posts. They, in turn, have ensured that their followers — always neglected and often mauled by the rulers — continue to vote for the ruling party in election after election. This arrangement has been of the greatest value to the ruling party: The members of these two groups have constituted one-half to two-thirds of the hard core Congress vote in successive elections. Similarly, leaders of many a trade union — fattened as palace slaves — have discharged their debt by sabotaging many a workers' struggle.

As long as it works, that is an easy, low-cost, solution. If the elite were to go about cajoling entire groups by ensuring each of their members a decent living, it would have to whittle down its power and its standard of living substantially. By reinforcing the existing configurations of power it buys

peace even though it has provided for only the leaders of the groups.

In the meanwhile it has lulled the masses with soporifics. 'Socialism', parliamentary constitutionalism, the right to cast a vote every five years, and some freedoms — the freedom to write and speak freely, for instance —, are the most prominent among these. A few words on each will clarify the role of each in the scheme of things.

Indian political parties (and factions within each party) are perpetually engaged in an orgy of 'competitive radicalism' — to borrow the phrase of a perceptive participant. Over the years, party manifestos and, indeed, the laws themselves, have become more and more radical. But — true to Hindu practice — we have steadfastly refused to define the precise contours of our 'socialism' and — true this time to the spirit of most religions — we have not allowed the strident sloganeering to inhibit our acquisitive practices.[2]

The impoverished masses have been fed the illusion that they are the fount of power, that, through quinquennial elections, they have a say in what matters. The country has had five general elections. The number of parties and candidates in each election, and the rapid turnover of legislators, are said to show how great a choice the system offers to the voter. For instance, in the recent elections to the legislature of Uttar Pradesh — a state of about 90 million people — about 4,000 candidates competed for 425 seats. But these and similar magnitudes give only a superficial view of things. Elections have not assured that leaders will keep their electoral promises. They have not assured efficient — or even honest — governments. Similarly, there is less to the waxing and waning of individual parties and to the rapid turnover of legislators than an observer might be led to believe. Each political party in India represents the same elite. And, whenever they have had the opportunity, the members of each party have behaved as rapaciously as those of others. The hapless voter has run from one party to another or from one candidate to another. In the recent UP elections I mentioned earlier, the hapless voter defeated two-thirds of the sitting legislators who stood for re-election, but to little avail.[3]

Freedoms — of Press, for instance — have continued their fragile existence. They have meant little to the impoverished masses. The leaders have often used them as an alibi — asserting that these freedoms preclude resolute action and, thereby, more rapid advancement. The freedoms have, of course, meant a great deal to the intellectuals. They are indeed free to write and speak. But their writings and speeches have little effect. Even specific disclosures about wrong-doing do not produce a ripple. As a consequence, the intellectuals are disillusioned and bitter. Even they are beginning to look askance at the argument that these freedom mark out the Indian experiment as a unique one. What good, they ask, is it to be free to shout into a desert? What use are the freedoms if, by deploying them, one cannot change the system or even stem the rot?

Gandhiji's doctrine, that "means are as important as ends" — the last soporific which I will list here — and its contemporary incarnation — 'constitutionalism' — have been perverted to hoodwink the poor. Much play has been made of the doctrine whenever the task has been to implement land reforms, to put down private armies of the rural strongmen, to catch smugglers, hoarders and adulterators, to weed out corrupt ministers and officials, or to alleviate the miseries and violence that are heaped upon the landless. The people have been fed much sophistry about the Constitution, about the due process of law, about the evils of taking the law into one's hands. Means have been touted as ends. But, when elections have had to be won, laws about electoral expenses and about misuse of official machinery have been thrown to the winds; when exceptions have had to be made to accommodate industrial houses or traders, laws and policies have not presented any difficulties.

The elite, while peddling soporifics for the masses, has conjured up many a rationalisation for itself. It has refused to define its egalitarian slogans precisely, on the pretext that it would not like to imprison the country in resolutions that may soon become obsolete. Time and again it has postponed resolute action, on the pretext that it is searching for the optimum solution. It has perfected the device of public cerebration — convening seminars, setting up committees to enquire into matters, then setting up committees to examine the recommendations of these committees — as a subterfuge. By acquiring the very special faculty of detecting merit on each side of every argument, it has consistently refused to push its perceptions to their logical conclusions — for instance, about the difficulties that an exclusive reliance on monetary incentives can cause in a poor country. It has taken to formalism in a big way. Whenever a lacuna has been pointed out, it has worked itself into a verbal fever. But once some formal measures have been taken to deal with the matter — once a committee has been set up, a law passed, a department reorganised — it has quickly relapsed into somnolence. Rationalisations such as these have provided much succour for India's short-sighted and rapacious elite — an elite epitomised by the businessman who bribes so that he, rather than another, may obtain a licence and who shuts his eyes to the long-run consequences of his act.[4]

The single institution that best portrays the system I have been describing — a system serving the rich, buying peace by co-opting ring-leaders, doling soporifics to the masses and conjuring rationalisations for the elite — is the Congress party.

A *status-quo* party, it has clutched on to the slogans of change as its own. On behalf of the elite it has been engaged in a massive deception: an attempt to convince the impoverished masses that it is an agent of change.

Its true class character is revealed not by the slogans it shouts but by the sources of its finances, by the structural changes it attempts, and by the consequences of such attempts. For its finances the Congress relies exclusively on the rich industrialists, the rich traders and, one understands, the richest smugglers. And it relies in equal measure on the traditional — one is almost tempted to say, feudal — leaders for political muscle: the caste leaders and the dominant landowners. These groups dole out money to this party and they support it because they know that it is *their* party, that it ensures *them* a protected market, that it blocks land reforms on *their* behalf, that its radical slogans fool the people on *their* behalf. Is it any wonder then that, while Congress governments are perpetually short of resources and support for their developmental programmes, the Congress party is never short of resources and support for its electoral forays?

Similarly, various attempts at structural reforms illustrate the party's class character. The pathetic story of land reforms is an oft-told tale. The take-over of wholesale trade in wheat in December 1972 provides a fresh and dramatic illustration of the close bonds between traders, large landowners, smugglers, and Congress party mem-

bers. The collusion between these groups was one of the principal factors that prevented the government from acquiring the amounts it needed for the public distribution system, that disrupted the movement of grains to urban centres, that made it impossible for the government to check smuggling, hoarding and adulteration of grain, and that ultimately compelled the government to abandon its policy in the most humiliating manner.

Engaged as it has been in furthering the interests of a rapacious elite, the Congress has buried Mahatma Gandhi. He introduced the mass line into Indian politics. Congress governments have cast it aside. How could they mobilise tenants to ensure that the hold of the landlords is weakened when the landlords were the basis of their power in the rural areas? How could they organise office and factory workers to expose malpractices — adulteration, tax-evasion and the like — when the industrialists and the traders were the principal sources of their funds? Gandhi spent his life trying to alter the acquisitive and imitative values of the elite. Congress governments have fabricated an economic and political system which gives full licence to precisely these values. Gandhi insisted that his associates measure up to the highest ethical standards in public life. Congress governments, representing as they do an elite that is firmly wedded to double standards, have been satisfied with appearances: its ministers wear home-spun cloth, and refrain from drinking in public. Far from insisting on ethical standards, they have shielded the corrupt and even brought back ministers who were forced out of office after judicial enquiries had accused them of wrong-doing. Gandhi won over the masses by working with them. Congress governments have been cajoling them with illicit money and fraudulent slogans.

These choices, made very soon after Independence, have now culminated in a very special pattern of politics — the politics of parlours, sloganeering, and illicit money. The proximate cause for India's present difficulties is to be found in this pattern of politics. I shall now deal with its consequences and with the inner contradictions that are paralysing governments at the Centre and in the states. After that I will sketch the inner contradictions of the larger theme — that of selective co-option — of which this pattern of politics forms a part.

II

India is now led by parlour politicians. Our leaders are not organisers, leaders who — like Stalin or Sardar Patel, to cite two disparate examples — have the perseverance to perfect a party machine and then to use it purposefully. They are not ones to mobilise the masses, not ones who — like Gandhi or Mao, to cite another set of two disparate examples — will mobilise peasants and agricultural workers into a fury that does away with particular inequities in the countryside. Their *forte* is tactical manoeuvre, and their great skill is in judging and manipulating other tacticians.

Unfortunately for these leaders, the very measures that they must take — and indeed, have taken — to strengthen themselves *vis-a-vis* rival tacticians weaken their ability to deal with the objective situation. In order to survive, the chief tactician cannot permit those who have an independent and strong political base to remain afloat, even if they are his colleagues and allies. If one of his colleagues has a base — in a region, a trade union or a particular caste — then he must continually strive to undercut it. He can rest only when all within reach have no strength except that which they derive from the leader's commendation.

For a while, it has seemed that the top leadership has indeed secured itself sufficiently in this manner. Recent events, and the rapidly deteriorating situation, have drawn attention to the other side of this coin: Once they have been weakened sufficiently to no longer be a threat to the chief tactician, the colleagues and associates are also too weak to help him bring about political and economic transformation. None of them can today help ensure that the leader's policies are implemented in the field, that trade unions respect his wishes, or that state legislators do his bidding.[5]

The leader's progressive ascendancy has also affected people's perceptions. The greater has been the chieftain's success in the states and at the Centre in weakening his associates and the more insecure he has made them feel, the more they have left things to him. Thus, the populace has formed the impression that power is indeed centralised, that it is all up to the chieftain. Since, in spite of this, the chieftains have been unable to deliver the goods, people are increasingly focusing their wrath on this handful. The people today allege that this small group has had the power and yet has not used it to good purpose.

These predatory instincts of the tacticians have not had only individuals as objects. They have also distrusted — in fact, feared — mass organisations. Their apprehension has been that such organisations may become autonomous strongholds. For this reason, the organisations have been systematically disrupted — even the organisation of their own party. Today, the Congress party is a helpless and hollow body. Its organisation has been torn up during the past few years and nothing has been allowed to take its place. Consequently at the national level, today, it is just a cult of one person and, in the states, just a set of sub-cults of local subalterns. Having been hollowed up in this fashion, the party cannot now help the leaders implement land reforms in half-a-million villages, it cannot help 115 million city dwellers improve urban sanitation, it cannot help the government unearth illicit stocks of food, it cannot catch tax-evaders and smugglers, it cannot help improve the living conditions and social status of lower castes. Indeed, it cannot help implement any political, social, or economic reform whatsoever.

Thus, the principal consequence of the tacticians' *modus operandi* has been to dilute their power for bringing about substantive changes.

The top leadership has not had the time to intervene in every factional squabble and, in any case, it cannot afford to soil its hands by undermining colleagues and allies openly. It has relied on henchmen. And the henchmen, while they have been at their job, have busied themselves with a lot more than the leaders' bidding. Since the henchmen have been serving the top leadership, since to all appearances they have been ensuring its longevity, no one has had the temerity to deny them a little private business on the side.

But even as they have done their leader's bidding, even as they have filled the party's coffers, these henchmen have soiled their party's image. They have brought disrepute to their leader and they have drained the people's faith in democratic institutions. People have begun to feel that there is a lot wrong with institutions that have allowed these brigands to assume power. Discarding a henchman after the public clamour against him has become oppressive has not helped the top leadership. As it has not altered its basic character, as it has not abandoned parlour politics, as it has not adopted the mass-line, as it has not begun to deliver the goods, one henchman has had to be replaced by another. We see this

dramatically when we recall that bosses — who later came to be known collectively as 'the Syndicate' — originally acquired power within the Congress because the principal leaders wanted money for the party but did not want to handle the money themselves. In 1969, the present-day leaders split the Congress — ostensibly to free it from the bosses. But, as nothing was done to alter the character of politics, the old bosses have been replaced by new ones.

Parlour politics has had disastrous consequences for the management of the country's affairs. Those who have risen to the top in this set-up have done so because they have outdone others in low-level cunning and in petty intrigue, and not because they have proven that they can handle the myriad issues that arise in a large and complex country. The immediate cause for the state of affairs in India today — for the vacillations and the duplicity of economic policies, and for the inability of parliamentarians and state legislators to bring the Central and state governments to book — is the simple fact that the 'successful' politicians in India have little understanding of and little interest in economic and administrative matters. Their preoccupations with trivia, the facility with which they violate norms, the levels to which they stoop for trifling pecuniary gains, and the cynicism with which they view the people, suggest that they are not bothered by any notions about the national interest, about the type of society we are creating — or even about the dignity of our country and its people.

India's successful politicians suspect competence and are jealous of expertise. Unfortunately for the country, their jealousy and their suspicions can overpower. They are able to stall the induction of specialist cadres into economic and technical ministries; they are free to transfer and harass honest and bold officials; they are able to surround themselves with suave salesmen, with individuals who are not so competent as to circumscribe their *ad hoc*isms, with individuals, in short, who are committed to them and not to any public objectives.

Nor is their debilitating influence restricted to their own incompetence or to the selection of key personnel. Administration has been — as it inevitably must be — affected as much by the *ambience* in which policies have been formulated and administered as by the calibre of those who have had to formulate and execute these policies.

The pattern of politics has completely perverted the norms by which colleagues weigh one another and by which they judge their own performance. Success has not meant efficient handling of one's assignments. It has meant rumoured proximity to the leader. Therefore, ministers in Delhi and in the state capitals, spend their time jockeying, lobbying, protesting their loyalty, paying homage to the leader, ingratiating themselves with his henchmen, circulating rumours about their colleagues, squelching rumours about themselves, fighting proxy wars in tabloids — but not in running their ministries efficiently.

Moreover, the accusatory and conspiratorial atmosphere has made ministers and officials nervous and insecure. Each of them has been busy protecting his flanks rather than in doing his job. Today, each of them prevaricates, each of them obfuscates, each tries to push decisions higher and higher up, each tries to rope in as many others as possible into every decision he takes. Discussion — even in the highest counsels of the land — has ceased to be free or frank.

Economic issues differ from political ones in two respects and, unfortunately for the tacticians and for the country at large, each of these makes the former less tractable to the skills of a political tactician.

The first difference is that time itself is the best balm for many a political crisis. Often, the best course of action is to let matters drift, to let events take their course and narrow the options, to let time cool passions. One of the most vital skills of a political tactician — a skill that many an Indian politician possesses in ample measure — is the ability to wait it out, to stall. A good example of this skill at work is the manner in which the agitation for the bifurcation of the state that engulfed Andhra in 1973 successfully defused. But time worsens most economic problems. The ability to stall matters and the patience to let matters drift become fatal handicaps in the economic arena. Secondly, in the economic arena no victories are final. In manipulative politics, success is decisive and its glow serves for a long time. One can outsmart a rival once and be certain that he will not present a threat for years and years. In contrast to this, one has to toil away against economic problems day-in and day-out, for years and years, with the patience of a Sisyphus. India's tacticians — skilled as they have been at swift and decisive thrusts — have not had much aptitude for these protracted labours. Thus, while tacticians have moved from one manoeuvre to another and from one thrust to another parry, the objective situation has continued to worsen.

The country has also learnt to its great cost that for the spirited tactician the advantage of the moment is everything. The long haul and the patient labours that are needed for nurturing institutions do not interest him. India's present-day leaders have not acted until their personal position has been threatened. When that has been threatened, they have stopped at nothing, they have deployed every instrument they could muster; they have not let notions of propriety, constitutionality or fair-play come in their way. "War", they have insisted, "is war" — a Leninist aphorism which, as we noted earlier, has never crossed their minds when the question has been one of bringing hoarders and adulterators to book or of implementing land reforms.

Today, one institution after another is crumbling away in India. The things that are said in the legislatures do not matter. The judiciary is rapidly becoming a mere *alibi*. Politicians in power push through legislation riddled with loopholes. The judges hold that the rich have as much of a right to take advantage of these loopholes as do the poor. The politicians clutch at this as a convenient alibi — proclaiming, as they do, that but for those renegades in the courts they would have brought about a glorious social transformation. Administrators are being demoralised by half-baked accusations about their 'lack of commitments' — accusations that are hurled on every occasion but are never accompanied by any attempt to define the kind of commitment that is expected of them, or to weed out the uncommitted, or a programme to politicise them. Most observers recognise that the wailing is just another alibi — even so, it demoralises an entire institution. The Cabinet, the National Development Council, and other forums, are now stamping machines which will stamp one thing today and its opposite tomorrow. Norms like honesty in public life, civility in debate, propriety in combat, have been discarded as if they were just adolescent inhibitions.

A serious development such as this cannot do the country any good. Nor can it ensure for the tacticians any more than a moment's advantage. For, as the objective situation worsens, their

party — even in its decimated form — and their associates will turn upon them and offer them in sacrifice hoping thereby to assuage an angry citizenry. As the strength of institutions and the authority of norms would have been eroded by then, the tacticians' party, their would-be successors, and their detractors, too, will act without restraints of any sort. The fate of Chimanbhai Patel — the 'strong' and resourceful Chief Minister of Gujarat who was recently forced out by a popular movement — provides a ready illustration of the way tacticians out-manoeuvre themselves.

The foregoing is only a partial list. Among the many other factors that can be listed one deserves brief mention as it recurs again and again: it is the stain of sharp-practices. Sooner or later relatives or friends of the chief tactician start entering into questionable deals. The first — probably hesitant — steps in this direction are taken when the chief tactician is at the zenith of his power, when he is truly unassailable within the parlour and when the deal seems a triviality, just something to keep the relative or friend occupied — something so small and trivial that no one can believe that it could ever hurt the reputation of the leader. A first morsel inevitably whets the appetite of the relative and the fact that no one challenges him in the first few instances makes him more audacious. However, as the objective situation worsens, as the tactician begins to lose his hold, these indiscretions become a focus of public indignation. The later years of Ayub in Pakistan, of Pratap Singh Kairon in Punjab, of Bakshi Ghulam Mohammed in Kashmir, illustrate the sequence of events.

In these and other ways, India's parlour politicians have harmed the country and, just as systematically, they have sawed-off the branch on which they sit. Sloganeering and illicit money — the crutches on which they have leaned more and more as their substantive contact with the masses has diminished — are also helping to close the circle. It is to these that I shall now turn.

III

Strident slogans have had a dynamic of their own. So as to attract the masses, a *status-quo* party — the Congress — began shouting radical slogans. Other political parties — even when they represented more reactionary elements than did the Congress — followed suit. Upon assuming office, the Congress did little to implement its slogans and so in the next round it could not put forward its performance as its commendation. All it could do was to cover up its record and to distract people by even more radical slogans. Other parties have kept pace. In this fashion, years have rolled by. But such Left-wingery has exacted an enormous price.

First, when after a point slogans have reached a hysterical and feverish pitch, the contrast between them and the facts has become obvious even to the innocent masses. Credibility, that essential of effective government, has evaporated. People have lost faith in political parties, in governments, in the value of free debate, and in parliamentary institutions. Second, just to keep up appearances, just to prove that they haven't abandoned their slogans completely, governments have felt compelled into theatrics — theatrics of 'nationalisation', for instance. As the power base and values of the political party have not been altered, as politicised and specialist cadres have not been built up, such nationalisations have often slowed down the pace of advance. Thirdly, these slogans have restricted the manoeuvrability of the governments to such an extent as to keep them from attempting even those things that come naturally to them. The vacillations and the long delays that have characterised India's industrial policies and the consequent losses in output, are a case in point. Swings from one verbal pole to another (the Leftward swing that marked the government's policies since 1969 is now being replaced by slogans about 'pragmatism') have created uncertainty in the minds of officials, investors, and others. At each round-about most of what was set up in the preceding swing has been hastily dismantled. Today, governments — having proclaimed their commitment to the poor in such strident tones — hesitate to raise the salaries of their senior civil servants. Yet, having allowed the rising consumption standards of the trading and industrial classes, such hesitation has in fact amounted to permitting ministers and officials to accept illicit payments and favours. Finally, the most destructive consequence of the half-baked populist slogans has been legitimised indiscipline.

Apart from the slogans they have shouted, Indian governments have had to deploy enormous amounts of money to persuading the people of their *bona fides*. Corruption has spread so rapidly throughout the Indian political and economic system, that it is best to consider it at some length.

Ostensibly, each member of the Lok Sabha — the dominant wing of India's parliament — gets elected on the premise that he has not spent more than Rs 35,000 on his election. Similarly, the law debars each state legislator from spending more than Rs 10,000 to 13,000. The *cognescenti*, however, aver that an average parliamentary election costs a candidate of the Congress party Rs 200,000 to Rs 300,000 and that an average election to a state legislature about Rs 100,000. When one adds expenditure on other elections — those to district bodies, co-operatives and so on — I would not be surprised if the Congress alone has to muster Rs 60-70 crores every five years. Many observers suggest that even this is a gross underestimate. If the opposition parties deploy even one-third of this, the total would be Rs 80-90 crores every five years. As contributions to political parties are prohibited by law, all collections are *illicit*.

As political parties solicit and receive illicit money they fabricate and maintain an economic system that enables industrialists, traders, and smugglers to earn and enjoy it. Is it any wonder, then, that governments daily decree exceptions to announced economic policies, that producers and traders are allowed to create artificial scarcities, that governments never get around to strengthening the apparatus for collecting taxes and to enforcing regulations about foreign exchange and other matters?

The deleterious effects of corruption are not limited to particular decisions taken in favour of individual contributors. Precedent plays a very important role in Indian economic administration. What is conceded to one cannot be denied to others — *a fortiori*, as India is still an open society and decisions cannot be hidden away in almirahs for long. When an Indian party collects funds from an individual it places itself in debt not just to that individual but to the entire class of which that individual is a part. In analysing the implementation of specific policies, one does not therefore find just one or two exceptions to a declared policy; one finds that the policies themselves have been completely riddled by caveats, loopholes, provisos, and after-thoughts.

The exchange of illicit funds for licences, permits, caveats, has involved the participants in a compact. As politicians and governments are entangled with the unscrupulous in these webs of mutual complicity, they cannot now move against them. Nor are they able to move against subordinates — administrators, police officials, and the like — when the latter set up businesses of their own. T K Mahadevan, the Gandhian scholar, has characterised the situation by recalling a Zulu proverb: a dog with a bone in his mouth can't bark. Indeed, corruption at the top has emboldened and tempted the entire populace. As the Sanskrit adage has it :

yatha raja tatha praja.

I have devoted what may seem inordinate space to corruption, because of my belief that, more than anything else it is eating into the Indian polity. Corruption is cancer, both in the sense that it spreads through the body politic at the astronomical rate of cancer cells and in the sense that its eventual consequences shall be fatal.

It has already corroded our conscience. Today, Indians make subtle distinctions between those who "rake it in for the party" and those who "rake it in for themselves" — forgetting that the one who "rakes it in for the party" damages the political system as much, because he places his party and his government in the debt of the unscrupulous. Corruption has greatly impaired the government's ability to govern. Today, it softens every reform, every law, every executive order that is intended to hit out at unscrupulous elements or at the rich. Corruption has demoralised honest officials. They see their dishonest colleagues and their dishonest political masters prosper — both financially and in their careers — while they languish.[6]

More than any other factor, corruption — and rumours about corruption — have destroyed the moral authority of the leadership and, hence, greatly undermined its ability to govern. When India became independent, its leaders refused to frighten people by police methods into serving national objectives, as they felt that such tactics would have resulted in a totalitarian set-up. They also said that they would not indoctrinate the people with an ideology, that they would not politicise them, as that sounded too much like the system communist states had gone in for. Nor, they maintained, would they try to channel the natural acquisitive instincts of the people into serving national objectives as they did not feel that capitalist methods had resulted in an ideal state of affairs. A leadership that forswore police methods, ideological motivation, as well as harnessing of people's acquisitive instincts could have governed only by its moral authority. And India's experience during its struggle for independence had suggested that, indeed, a people could be governed by example, by moral authority : people had obeyed and followed Gandhi, even though the entire state apparatus was arrayed against him, because of his moral authority. It is precisely this moral authority that corruption has now destroyed.

More and more frequently, these days, we hear the highest in the land proclaim that they cannot move against their corrupt colleagues till people bring forward evidence of specific wrong-doing. The less important fact in this context is that, when specific charges have been levelled at the leaders — such as the charges that four of the cabinet colleagues of Gujarat's ex-Chief Minister have made against him — the Central leadership has not ordered investigation. The more important fact is that the moral standing of a government cannot be preserved by legal niceties. The total inability of India's political leaders to inspire the people to harder work and better conduct, clearly shows that, when the people at large believe that there is wrong-doing in high places, the fact that they cannot document their belief by written records of transactions is small comfort.

In fact, the last decade shows that the difficulties in adducing legal evidence — difficulties which help an individual minister or official — are, in fact, a great handicap to the political system. The difficulties make ministers and officials complacent. They become more audacious and lift corrupt practices to the next plateau. Moreover, on account of these difficulties, a long time passes before public opinion about the corrupt solidifies into legally acceptable evidence. Till that happens, rumours have a field day. As evidence is hard to come by, the stories that reach the people's ears are much worse than the facts. And rumours — Indian governments are now realising to their sorrow — are just as effective in destroying the moral authority of a leadership as are the misdeeds themselves. Written records or no written records, convictions or no convictions, people ultimately lose faith in the leaders, they lose faith in the political and judicial system that keeps these men in office; they, therefore, refuse to abide by its rules. This state of affairs has now come to pass in India.

IV

The internal contradictions of the system have become increasingly apparent during the past decade.

As neither the distribution of income and property nor the values by which the people — in particular, the elite — live have been altered, growth has been retarded and perverted. In large parts of the country, feudal and semi-feudal institutions have hampered the growth of even capitalist agriculture.[7] Similarly, in large parts of the industrial and trading sectors, earnings of the propertied and the well-connected have had little do with production. They have been dependent on acquiring quotas and licences and on creating artificial scarcities of products. Growth has been biased towards the goods, to purchase which the well-to-do have had resources, rather than towards goods which the masses have needed. As employment opportunities have lagged woefully, as the wages they receive for such work as they find have remained stagnant, the poor have often not been able to acquire such goods as have been produced.

As population and the labour force have continued to increase, as the people have become more aware of the inequities in their society and of developments in other parts of the world, the contradictions have become a focus of public indignation. More and more people have become desperate and have begun to agitate and disrupt production. This, in turn, has intensified scarcities. Competition — even among the relatively well-off — has become more intense and clamourous: witness the increasingly strident and resolute defiance by India's professionals — nurses, doctors, teachers, engineers and others. As there has been less and less to go around, governments and other bodies representing the elite (e g, employers' organisations) have delayed concessions as long as they could. They have conceded only when disruption of production or violence has reached an absolutely unbearable point. Each round of this kind has convinced the agitators that governments and other organisations listen only to violence and massive disruptions. Hence, each successive round of protest has been more militant and better organised. This sequence of events is not a passing aberration. It is an unavoidable consequence of the economic and political

FROM THE CHAIR

Bayer

BAYER

Bayer (India) Limited

Speech of the Chairman, Mr B M Ghia

THE following is the Speech delivered by Mr B M Ghia, Chairman, Bayer (India) Ltd, at the Sixteenth Annual General Meeting of the Shareholders on 19th June, 1974:

FRIENDS!

I have great pleasure in welcoming you to the 16th Annual General Meeting of the Company.

The Annual Report of your Company for the year 1973 is already in your hands and with your permission, I shall take the same as read.

TROUBLED WATERS

You are fully aware that the nation's economy has been passing through troubled waters for some time. The year 1973 witnessed the after effect of severe drought conditions that prevailed in major parts of the country during 1972. The scarcity of power, all-round shortages of raw materials coupled with the international fuel crisis have hit hard the nation's economy. This, no doubt, had an adverse effect on most industries in India. On this background, I am confident that the progress made by your Company during the year 1973 must have been well received by you. The sales aggregated to Rs 15.78 crores (Rs 13.20 crores during the previous year), *i e*, 20 per cent up against 1972. The pre-tax profit for the year improved by 34 per cent, i e, Rs 3.09 crores against Rs 2.32 crores made during the previous year. A sum of Rs 64.00 lakhs has been provided for Depreciation (against Rs 54.04 lakhs). The provision for Development Rebate Reserve amounts to Rs 6.80 lakhs (against Rs 65,000). You are aware that the Company's profits now attract Income-tax and as such, a sum of Rs 1.98 crores has been provided for Income-tax and Sur-tax. After careful consideration, the Board of Directors of your Company have recommended to maintain the Dividend at 20 per cent (Rs 20/- per Equity Share) for the year ended 31-12-1973. The Dividend for the year will be paid from the General Reserve. I am glad to announce that 90 per cent of the Dividend will be free of Income-tax in the hands of the Shareholders.

ACHIEVEMENTS

The achievements in the working results of your Company were shared by all the Divisions and I hope that barring unforeseen circumstances and with assumption that the position of both imported and indigenous raw materials supply eases, the Company would maintain the tempo of its progress during the forthcoming years.



Mr B M Ghia

Sales of the PESTICIDES DIVISION registered a further improvement over the previous year. Being fully conscious of the country's long-term need of quality Pesticides, we are determined to embark upon the expansion of our Pesticides Project. We have already received the Industrial Licence for substantial expansion of the capacities. Negotiations for the foreign exchange required for import of plant and machinery are practically concluded and we are confident of obtaining the Capital Goods Licence in the very near future.

Sales of the RUBBER CHEMICALS DIVISION increased further in spite of power shortages in many states and strikes in some of the tyre manufacturing units which consume the bulk of our Rubber Chemicals. In fact, our sales increased more than the level of growth of the Rubber Industry in India in 1973. We managed to maintain export sales of our Rubber Chemicals at last year's level of Rs 13.0 lakhs, in spite of all adverse aspects.

We are fully prepared to take in hand the expansion project of our Rubber Chemicals plant any time hereafter and we intend to proceed to implement the same expeditiously. Necessary arrangements for foreign exchange required for the import of plant and machinery have already been made and we hope to have in hand both the Capital Goods Licence as well as the Industrial Licence in a short time.

The PHARMACEUTICAL DIVISION of the Company worked under substantial strain considering the enormous increase in the cost prices of various inputs, while the selling prices remained unchanged.

On the export front, the Pharmaceutical Division made a major breakthrough. The exports increased from Rs 7.50 lakhs in 1972 to Rs 17.10 lakhs in 1973. We exported Formulations as well as Basic Drugs to Indonesia, Thailand, Singapore, Malaysia, Turkey and Sri Lanka. We expect that this encouraging trend of exports achieved will continue in 1974.

EXPANSION

The Government has granted expansion in the licensed capacity of Chloroquine Phosphate from 4 to 12 tons per annum. The work is under progress for going one step more basic and we expect to start production of 4-hydroxy-7-chloroquinoline indigenously by September/October 1974. This item has so far been imported by us.

We could not succeed in obtaining extension for our continuing to do the indent business beyond 31st July, 1973.

Your Company's continued progress is the outcome of the joint efforts of the management and employees of the Company at all levels and I take this opportunity to express my gratitude to all of them.

Thank you.

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function only when it aims
at the greatest
good for the
greatest
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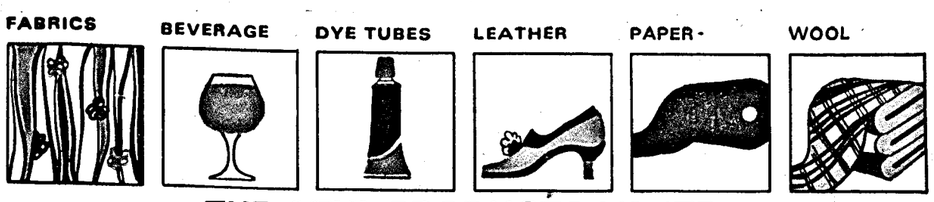
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WAGES OF FOREIGN COLLABORATION

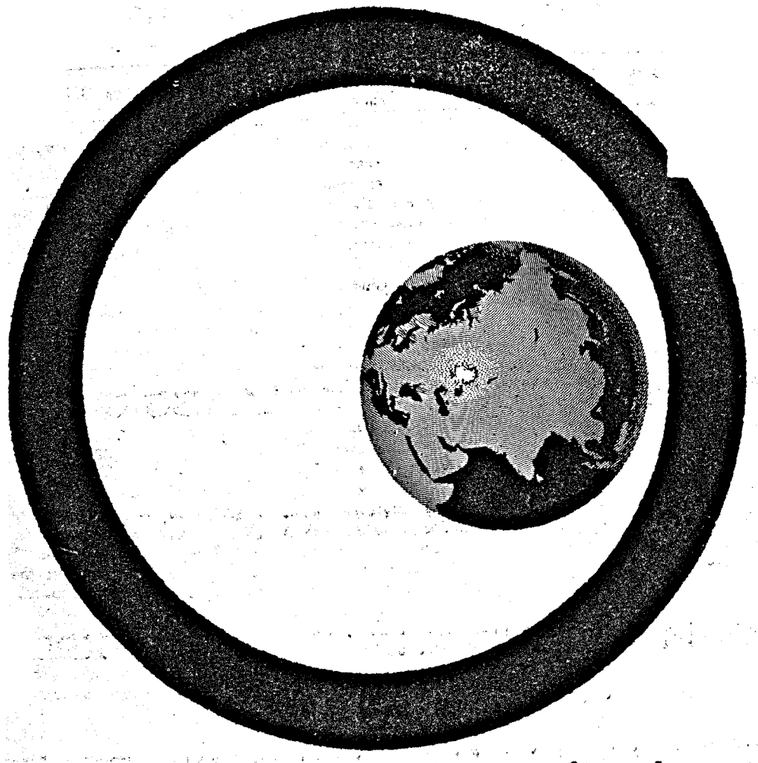
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ENVIRONMENT AND THE NUCLEAR EXPLOSION

WEST BENGAL'S UNDEVELOPING POLITICS

D R GADGIL: THE LAST PHASE

REVIEW OF AGRICULTURE



The world had nothing before it got zero

India introduced the concept. The Sanskrit name for the figure was Sūnya meaning void. India was the first to use it in the modern form. The earliest inscription dates back to 800 A.D. But there is evidence in Indian scriptures that the zero was used centuries before.

In this and other spheres Indian talents have enriched the world. We at L&T try to continue the tradition by enriching life through industrial development. We design, manufacture and instal plant and equipment for every vital industry—steel, cement, fertilizer, paper and pulp, nuclear. Leading companies like Toyo Engineering, Snam Progetti, Humphreys and Glasgow, Usine De Melle, Power Gas have called on us for complete engineering, manufacturing and construction services in and outside India. You can call on us for more. We have a vast pool of computer programming man power especially on tap for you.

Who are we? A major industrial complex strategically located to serve the developing world. The success of our service lies in the individual talents of over 10,000 people in our network of offices all over India.

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ECONOMIC AND POLITICAL WEEKLY

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Limits of Indicative Planning

THE Ministry of Industrial Development has released its 'Guidelines for Industries for 1974-75'. In his introductory remarks the Minister of Industrial Development and Science and Technology observes that the 'Guidelines' takes note of the targets for various industries envisaged in the Draft Fifth Plan. As a source of information the latest 'Guidelines' is perhaps an improvement over last year's version. The number of industries for which information is provided 'on the present status and future prospects' has gone up from 110 to 172. Separate sections have been added on 'small-scale industries' and the relevant provisions of the Foreign Exchange Regulation Act, 1973.

The latest 'Guidelines' has also avoided some of the more obvious loopholes noticed last year. For instance, the emphasis on fuller utilisation of capacity through diversification left room for building up unlicensed capacity and getting it regularised later. The illegal creation of capacity and its subsequent regularisation would, it was feared, become a regular feature of the licensing system. The latest 'Guidelines' has dropped the relevant reference to diversification except in respect of industrial machinery where there is flexibility to produce different types of machinery based primarily on the same fabricating facilities.

Last year's 'Guidelines' had been criticised also for its total obliviousness of any scheme of industrial priorities related to the objectives and targets of the Fifth Plan. Two conspicuous examples were those of air-conditioners and domestic refrigerators, for which very large growth in capacity had been visualised. In the latest 'Guidelines', though the list of industries covered has been lengthened, air-conditioners have been altogether dropped and for domestic refrigerators it is stated that "the existing capacity (1,75,800 nos) is ... more or less adequate for the present".

These instances cannot, however, be taken to suggest a general tightening up of priorities. Passenger cars are a case in point. The 'Guidelines' estimates the demand for passenger cars to be of the order of 160,000 by 1978-79 — though the possibility of some slight reduction in this figure due to the hike in petrol prices is conceded — compared to the present installed capacity of 47,400 and output of 44,000 in 1973-74. The Draft Fifth Plan has prescribed a production target of 60,000 passenger cars; and yet the government has issued as many as eleven letters of intent for a total capacity of 2,06,500. The 'Guidelines' fail to indicate how this blatant contradiction between the objectives of the Fifth Plan — "the pattern of production must be moved decisively against sectors which contribute little or nothing to the consumption basket of a representative citizen of the country or do not help directly or indirectly to relieve pressure on our foreign exchange resources" — and the working of the licensing authorities is to be resolved.

A closer reading of the 'Guidelines' strongly suggests an infatuation with so-called indicative planning. For every one of the 172 industries covered, the 'Guidelines' gives existing production and capacity, additional licences issued, some estimate of demand, the possible gap and the permissibility of foreign collaboration. The question of setting up units and creating additional capacity has been left entirely to the whims and fancies of entrepreneurs. If the 'Guidelines' had recognised the industrial priorities flowing from the Fifth Plan together with the resources constraint, it would have specified the concrete areas where immediate establishment of capacity is called for. The Ministry of Industrial Development has apparently yet to realise what serious distortions could arise in fulfilling the objectives of the Fifth Plan, if the gaps indicated in the 'Guidelines' in these industries are not filled. What use is the detailed 66-sector consistency type input-output model for the end-year of the Fifth Plan if the results of its use are not to be translated into the reality?

The two classic instances here are those of paper and cement. For paper the present installed capacity is only 9.54 lakh tonnes; another 15 lakh tonnes of additional capacity has been approved according to the Fifth Plan's requirements. But, laments the 'Guidelines', "the progress of implementation of most of the new schemes is not satisfactory, and it is not possible to indicate how much of the approved capacity will materialise by 1978-79. Having regard to the import of capital goods, however, an additional capacity of about 200,000 tonnes is expected to materialise in the next two years". Paper is a highly capital intensive industry with a gestation period of 4 to 5 years. If the Ministry does not show the required sense of urgency and public sector units continue to lag behind, the scarcity of paper would continue and even worsen. This industry cannot put the blame on price

controls either. In cement 55 projects (20 in the public sector) with an additional capacity of 169.11 lakh tonnes have been approved. However, "on the basis of placement of firm orders for plant and machinery, a capacity of 25.4 lakh tonnes, covered by nine schemes, is presently under implementation".

Despite the relatively better availability of agriculture-based industrial raw materials, the Fourth Plan period saw an average rate of industrial growth of just 4.1 per cent against the target of 8 to 10 per cent which, incidentally, was not reached in even a single year of the Plan. In 1969-70, the industrial growth rate was 6.8 per cent, in 1970-71 it declined to 3.3 per cent, in the subsequent two years it was 4.5 per cent and 5 per cent, respectively, and in 1973-74 "there has been little or no growth at all". Interestingly, in the last year of the Plan the decline in industrial output extended to cotton and jute textiles and vanaspati, for all of which availability of raw materials was relatively comfortable. Likewise, based on the quantum of sugarcane available, the output of sugar should have risen much more. In the case of cement, non-availability of railway wagons has been cited as one of the reasons for the decline in output. In a period of acute scarcity of cement even if railway wagons are not available for transportation, the production could be temporarily held in stock, especially given the easy availability of bank funds. The point is that, in the absence of any attempt by the government to actively expand capacity in a number of industries, many of those who control the production units in these industries have converted themselves into traders thriving on the huge margins available on scarce commodities.

The Emergency

A Point of Grammar

THE remark was almost off-the-cuff. In response to a query by a foreign correspondent, the Prime Minister affirmed that the Emergency in the country is to continue. But, she went on to explain, it is no longer a war emergency; it is an economic emergency. The Proclamation cannot be revoked because of the economic factors.

Let Article 352(1) of the Constitution be read once more. If the President is satisfied that a grave emergency exists, whereby the security of the entire country or any part thereof is threatened by war or external aggression or internal disturbance, he may, by Proclamation, make a declaration to that effect — namely, that a situation of emergency has come about. Since the President so wished, a declaration under this Article was made on December 3, 1971, and the emergency was on. However, that evening, when the Proclamation was issued and the Emergency was declared, the explicit reason stated was territorial aggression committed by Pakistan as heralded by the surprise air attacks. It is that proclamation which has yet not been revoked.

Now, according to the Prime Minister herself, the state of the reality has altered since the evening of December 3, 1971. It is no longer a war emergency. Therefore, the reasons which satisfied the President on that date can hardly constitute the reason for the sustenance of the Emergency now. On the Prime Minister's own admission, then, the proclamation which ushered in the Emergency in 1971 has run its course. Sticklers for constitutional niceties might even suggest that, under the Constitution, there is no provision for the declaration of an 'economic Emergency'. Article 352(1) is quite unambiguous: the President must be satisfied that the Emergency is causally related to a threat to the security of India, or any part of the territory thereof, arising from war, external aggression or internal disturbance. It would perhaps be difficult to establish that the economic tribulations the country is undergoing have led to, or is going to lead to, either war or external aggression or internal disturbance. In terms of what the Prime Minister herself has stated, there is at present no threat of war or external aggression. She might still maintain that she is satisfied — and, therefore, the President is satisfied — that the security of India is being threatened by internal disturbances caused by economic difficulties.

But this was not the reason mentioned in the proclamation of December 3, 1971 — the proclamation which provides the franchise for the current emergency. There is, however, a provision under Article 360 of the Constitution for the declaration of a financial emergency in case the President is satisfied that a situation has arisen whereby the financial stability and credit of India or any part thereof is threatened. Maybe at the current moment the financial stability and credit of India or parts thereof is gravely threatened because of the mess created by the Union and the state governments. But, in case the government is satisfied that such is the state of affairs, it must make a declaration to that effect. In other words, if the emergency is a financial one, it is only proper that the President makes a fresh declaration under Article 360(1) — and not rest on the laurels of Article 352(1). The other question of course remains, namely, whether an economic emergency as referred to by the Prime Minister is the same thing as a financial emergency. If it is not, then obviously Article 360 too cannot serve the Prime Minister's cause and she has to fall back on Article 352 — but not without recourse to a fresh proclamation.

There are two separate issues involved here. First, since it is admitted that the nature of the emergency is today qualitatively different from what it was on December 3, 1971, whether the proclamation issued on that date could still be considered as operative. Purists would argue that if the nature of the factors underlying the declaration of the emergency has changed, the old proclamation has lost its franchise, and a new one ought to be forthcoming in case it is the intention of the authorities to continue with the suspension of fundamental rights. The second issue centres round the question whether it is at all possible to relate causally economic difficulties as such with an emerging threat of internal disturbances.

But, of course, it is a matter of the President's pleasure, no questions can be raised in regard to the degree of reasonableness in any stated assumptions. All that is needed under Article 352(3) is for the President to be satisfied that there is an imminent danger of disturbances taking place, and the President would be satisfied once the Central Cabinet is satisfied.

Those who have long given up faith in the Constitution and the constitutional process will, of course, ridicule such attempts at discovering legalistic chinks in the official armour. Authoritarianism, they will say, is already around; how does it matter if the government is caught napping on this or that point of grammar? For those others who take at face value the allegedly democratic virtues of the Indian Constitution, the Prime Minister's attempt to retool the nature of the Emergency can be acutely embarrassing. Such species are a diminishing number, though.

Bhutan

A Growing Minority

A Correspondent writes:

THE recently enthroned King of Bhutan must be watching developments in neighbouring Sikkim with growing trepidation. The present crisis in Sikkim is a spillover from last year and basically reflects the attempt by that country's Nepali population to asset itself against the dominant Bhotia-Lepcha minority. Nepalis constitute 78 per cent of Sikkim's population. It is very much on the cards that sooner or later a similar train of events may be triggered off in the Dragon Kingdom of Bhutan.

Officially, Bhutan's resident Nepali population is put at under 15 per cent. The 18-year-old King estimates that another 25,000 to 30,000 Nepalis have come in as migrant workers. This would still put the Nepali population at less than 20 per cent out of a total of 1.1 million people. Privately, however, it is guardedly admitted that the Nepalis form at least 40 per cent and that soon they may even comprise the majority!

The Nepalis have come into Bhutan to work on the hydro-electric and other Indian-aided projects. Despite the attractive daily wages, very few Bhutanese are prepared to do this work, mainly because they are tied down to their subsistence farming. Most of the Nepalis have settled in the South. The older residents have been allowed to buy plots of farm land but the newcomers are not, which is a major grievance. The immigrants have not as yet become too conscious of their political rights. Even so, the Royal Bhutanese Government saw fit to ban their political party, the Bhutan Congress, ten years ago; leaders of the party are cooling their heels in Siliguri.

Bhutan's royalty — which, incidentally, is closely related to Sikkim's — has been carefully isolating the Nepali minority. There is token representation in the government: the Secretary for Trade and Industry, Om Pradhan, and a member of the Royal Advisory Council, Jung Bahadur Chhetri, are both of Nepali origin but speak *dzongkha* and prefer to think of themselves as "southern Bhutanese". (A token gesture too was the sprinkling of Nepali traditional dances among the famed Bhutanese dragon dances during the coronation celebrations.) Talk of integration sounds hollow; the south has received far less government funds than the rest of the country. Indeed, there can hardly be any better indication of the "separateness" of the Nepali citizens in the eyes of the rulers of Bhutan than the fact that when King Jigme Singhye Wangchuk distributed alms (at Rs 15 per head) to citizens on two days following his enthronement, the first day was reserved exclusively for Bhotia-Lepchas and the second for Nepalis.

Industry

Labour: The Scapegoat

THESE are bad times for the working class. To curb inflation, a wage freeze has been threatened to be forced down the throats of workers. If production in a wide range of industries is far below what it should be, considering the installed capacity, it is again labour which takes the rap. The impression is sought to be created that it is the workers who have disrupted production with their strikes, go-slows and what have you.

In the public sector no one has been working harder at making a scapegoat of workers than the Minister for Steel and Mines, K D Malaviya. During the debate in Parliament on his Ministry's demand for grants, he had laid the blame for the dismal performance of the steel and coal industries under his charge squarely on the trade unions and on the political influences allegedly operating on the workers. Since then he has carried on in the same strain. Speaking to journalists in Srinagar recenty he once again aired his favourite theme. "I am convinced" he is reported to have said "that if our workers do not accelerate work at the [steel] mills, the future of our steel industry may be dark."

Given the 30 per cent annual rate of inflation and the even steeper rise in the prices of the necessities of life, the wonder is that industrial disputes and strikes have not been more widespread than they have been. One can run through the list of major industries without being able to identify a single one in which actions by workers — and not shortages of power, transport and raw materials and, of course, the efforts of those who control these industries to make super profits by deliberately restricting output — has been the decisive factor in keeping down production. The fact that the working class, even the small organised segment of it, has given in so meekly to the sharp decline in its real earnings as a result of the rise in prices bears testimony to, first, the relative ineffectiveness of their trade union organisations and, second, to the determined use of the police and legal apparatus by the government to crush agitations by workers, whether in the public or the private sector. After all, a government which is convinced that it is the workers who are responsible for its economic problems by preventing larger output and faster growth is unlikely to be concerned about the finer points of propriety while dealing with labour disputes.

Even those who will grant the above propositions for the industrial sector as a whole have been led to believe by official propaganda that steel is one instance of an industry where labour has indeed been the villain. After all, if a Congress socialist of such impeccable credentials as the present Steel Minister says so, there must be some truth in it. In any case, who has not heard of Durgapur's perpetual labour problems and bloody inter-union brawls? But does one have anything more definite than official propaganda and popular impressions to go on in such matters?

The annual report of the Department of Steel for 1973-74 fears that production of steel may have been actually lower in 1973-74 than in 1972-73. It is, however, quite categoric about the major cause of this shortfall; it is "principally due to the shortage of power which has directly affected all the plants except Bhilai, and to the inadequate availability of coal, again largely due to power shortage, which has effected all the plants". It is possible to estimate very roughly that about 80 per cent of the decline in production over 1972-73 was on account of the above-mentioned factors. In respect of the much maligned Durgapur plant, the evidence contained in the report is even more conclusive and more contrary to the current official propaganda. At Durgapur, the report says, industrial relations "showed a perceptible improvement over the situation in 1972-73". Yet output data for the first three quarters of the year show that production in 1973-74 was running roughly 25 per cent below that in the previous year. Surely industrial relations — which showed "perceptible improvement" during the year — could not be blamed for this?

West Bengal

No Easy Arrangement

THE current infighting among the various Congress factions in West Bengal should not be allowed to divert attention from the reality of the state's nearly total industrial stagnation and swelling of the numbers of unemployed. Evidently, all attempts at inducing economic revival have failed. For the past two years, the state government has often flaunted data on fresh investment proposals. The exercise soon got to be known as 'the joke of the Rs 500 crores', since the 'investment proposals' aggregated to somewhere around that figure. But most of these proposals have been little more than enquiries. Between the enquiry and the placing of a formal application for a letter of intent, between a letter of intent and the actual issue of an industrial licence, between an industrial licence and actual investment — at each stage, there has been, and continues to be, a yawning gap. In most of these enquiries, the investment proposal is conditional. The condition is that substantial facilities and funds, should be available, as loan or as subsidy, from the government sector: either from the government's own sources or through lobbying with the public financial institutions. In a large number of cases, the original proposer is agreeable to proffer not even five per cent of the total capital needed.

Therefore, it is only partly true that investment activity has suffered in West Bengal because the Union Government has been niggardly with the letters of intent and industrial licences. Making the state 'politically safe', too, has had little impact on the deployment of private 'risk' capital. And this at least partly reflects the hard-headed judgment of big business that the liquidation of communists has not contributed much toward the creation of a more secure industrial climate.

The public financial institutions, it is true, have tended to discriminate against West Bengal during the past two decades. Here a certain inertia is at work. In the late forties or early fifties, going by per capita income levels, in which West Bengal came way on top, the banks, the Life Insurance Corporation, the Industrial Finance Corporation of India, the ICICI, the Industrial Development Bank, *et al*, considered it unnecessary to try to expand the capital base in the states. But developments changed the face of West Bengal. The influx of refugees in several waves, the stagnation in agriculture, the increasingly unfavourable land-man ratio, the gradual silting of the port at Calcutta, the impact of the industrial recession in the country on the heavy engineering plants located in the state, and, finally, the political turmoil — all contributed toward a steep decline in the rate of growth in state income. A number of other states pushed ahead, while West Bengal stagnated. Today, in terms of per capita income, the state is well below not only Maharashtra, Punjab and Haryana, but also Andhra Pradesh, Gujarat and Tamil Nadu.

Certainly, the public financial institutions ought to catch up with this new reality. Were a larger flow available from the financial institutions, the private units might exhibit a somewhat greater enthusiasm, since West Bengal still retains a differential advantage in wage rates in the organised industrial sector. It is the state government that would have to do the campaigning with the public financial institutions over this issue.

But even if the public financial institutions offer finances to private parties willing to expand activities in the state, it is still uncertain that it will herald the start of a new era in the state. For, in the ultimate analysis, it is the total milieu that counts. That milieu has little to do with which political party is in power or how much finance is available.

Technically, the Prime Minister's party has an overwhelming majority in the state Assembly and the Left is very much on the defensive. Since 1970, public funds have also been made available in somewhat more generous terms for various developmental projects: most of these have not even been used up fully. The fact is that other things count as much. Efficiency in administration is as good as non-existent. The quality of the civil service has declined steeply in recent years. Very few in the secretariat are willing to do an honest day's work. This is true as much of the top bureaucrats as of the clerks, who in any case would claim to have lost their *elan* because of spiralling prices. Both groups — the clerks and the senior bureaucrats — take their cue after all from the from the political leadership. It is a remarkably inept leadership, reflecting the quality of men who, for various reasons, have felt drawn toward the Congress party in the course of the past few years.

Once they were re-stalled in power in early 1972, several of the Congress leaders, scarcely realising how the arithmetic matches between resources and returns, fell for the notion that economic success was a unique function of public relations. That phase of innocence is now over, the early shouting and hollering have died down, but there is yet no hard, solid work. One of the main accusations hurled against the constituents of the United Front was the deployment of the apparatus of the State for purposes of the party. Yet, compared to the Congress party's performance in this area during the past two years, the parties of the United Front seem examples of moderation. Since March 1972, the distinction between the public and the private domains has been altogether obliterated: the machinery of the State and its various facilities have been single-mindedly put to work for sectarian causes. Even that might not have been so disastrous in the long run if there was some competence in economic administration. There has been none. For example, more than Rs 150 crores have reportedly been spent on the Calcutta Metropolitan Development Agency Projects, mostly for drainage, sanitation, and road-building. But there is hardly any visible, concrete evidence of where the money has gone.

This is a milieu which negates all expectations of higher production and productivity. And even the political stability, supposedly ushered in with much effort, could prove illusive as is already being demonstrated. Clearly, a government whose administrative and economic achievements are negligible cannot aspire to be in control for long. Sooner or later, people, not getting anything out of the system, will break out in protest: the nature of the protest is not predictable, and it would be suppressed, but the discontent would continue to simmer. Private entrepreneurs are aware of such prospects.

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

Daniel Thorner

DANIEL Thorner, research professor at the Ecole Pratique des Hautes Etudes of the University of Sorbonne, died of cancer in Paris on June 18. He was 59. With his death, India has lost a dear friend and the world an eminent scholar.

Starting with his celebrated work on the development of Indian Railways, Daniel Thorner's principal preoccupation remained the Indian subcontinent. After a brief spell as a member of the US Lend-Lease Mission in India after the War, Thorner returned to teach at the University of Pennsylvania in 1947. Along with Simon Kuznets and others, he helped to set up in the University a South Asia Study Programme, which continues even now. Later, around 1952, he came to India for a study of agricultural development and agrarian change. What started as a short visit turned into a long stay in India, as a refugee from McCarthyism in the US.

During those years, from 1952 to 1960, Daniel and Alice Thorner illuminated many areas of Indian agriculture and agrarian society. Much of this research was based on extensive field work, and was set in the perspective of historical and dialectical processes. For Daniel Thorner, particularly, there were no economic events or processes as such; they were all a consequence of political forces and social conflicts, made more oppressive by privilege, custom, and religious bigotry.

On moving to Paris in 1960, Thorner continued his research on problems of economic development in the Indian subcontinent at the Ecole Pratique des Hautes Etudes. Side by side, he undertook the laborious task of editing and publishing the classical work of Chayanov on Russian agriculture. To India he returned again and again, refurbishing his knowledge and verifying his hypotheses. His visit in 1971 coincided with the ravaging of East Bengal by Pakistan and the birth of Bangladesh. Appropriately, Thorner's final visit in 1972 was to Bangladesh, to several of whose leaders he had offered succour in their days of dire need.

Daniel Thorner strove for the betterment of those in the lowest echelons of Indian society, the sharecroppers, and the landless labourers, by exposing, with a wealth of data gleaned from first-hand observation, the selfishness, hypocrisy and exploitation that invest Indian agrarian society. For him India was both a source of inspiration and despair.

LETTERS TO EDITOR

Interest Rates

THERE is much more to the socialistic argument in favour of higher interest rates than H T Parekh ("Credit Policy, Interest Rates, Central Banking and All That", May 25) is willing to concede.

The influence of the prevailing interest rates on the choice of technology cannot be ignored. Any entrepreneur has a choice of at least two alternative technologies each representing a different combination of labour and capital inputs. In comparing the costs of these two inputs, the Indian capitalist considers not only the monetary costs but also the psychological costs involved. If only monetary costs were considered, India would have perhaps developed a far more labour-intensive industrial structure than it has today, and a lot more people would have been pulled above the poverty line.

The Indian capitalist wishes to minimise his labour "headaches". He does so by choosing a technology which gives him the minimum requirement of labour. He is able to do this because he has the blessings of the suppliers of technology in America and Europe, and the governments of the countries which provide long-term credits at comfortable rates. If the interest rates were pushed up to "uncomfortable" levels, the demand for the technology as well as the credits would soon dry up. One can therefore see why H T Parekh comes down so heavily on the advocates of high interest rates.

Seen in this light, Parekh's advocacy of the "historical approach" to interest rates is a straightforward defence of feudalism in Indian industry. It is the defence of a class that has not learnt the art of managing labour and is not interested in going through the painful process either. A higher cost of capital would greatly upset the feudal relationship between the entrepreneur and labour to the advantage of the latter. This seems to worry Parekh.

The possibility that progressive economists will not agree on the computation of the appropriate rate for India is no argument at all against the need to make rates truly reflective of the scarcity value of capital. There is nothing particularly socialistic about this. What is scarce should be made expensive and what is abundant should, in comparison, be cheaper. Since there is in our society a psychological aversion to using more of what is abundant, we must compensate for this by a more powerful economic deterrent against the overuse of what is scarce. How else can a country develop a mix of factors that gives its products the maximum international competitiveness?

In this process, some vested interests will be hurt. But this consequence is no reason, nor a good argument, in favour of the present state of affairs.

DEEPAK S RAJA

Bombay

Bharat Gold Mines

PLEASE refer to the article "Keeping Up Appearances" by Magnus in the issue of June 1, 1974. The statement "Bharat Gold Mines wants to take contracts to make machinery, to provide consultancy and to produce other metals; meanwhile, gold output has halved since 1971" is incorrect. The actual gold production figures for the years 1969-70 to 1973-74 are given below from which it will be seen that production has fallen only this year by 10 per cent:

	(Grammes)
1969-70	19,78,788
1970-71	21,78,197
1971-72	22,46,487
1972-73	20,00,249
1973-74	18,01,877

K V SUBRAHMANYAM

Chairman-cum-Managing Director,
Bharat Gold Mines Limited,
Kolar Gold Field.

Larger Margins Despite Higher Costs

Hansavivek

POLYOLEFINS INDUSTRIES, engaged in manufacture of high density polyethylene and processing of polyethylene products, is seeking an industrial licence for setting up a project in MP for annual production of 70,000 tonnes of calcium carbide. Estimated to involve a capital outlay of Rs 20 to 25 crores, the project is likely to be financed partly by a 'rights' issue of capital. Of the total production, some 40,000 tonnes will be sold to NOCIL (National Organic Chemical Industries) and the remaining quantity to Hoechst Dyes and Chemicals, which has plans to establish a plant in MP for production of vinyl acetate monomer. Meanwhile, PIL's scheme for stepping up capacity for high density polyethylene from 20,000 tonnes to 30,000 tonnes per annum is in the final stage of implementation. A plant for the production of n-Butene-1 with a capacity of 600 tonnes is also being installed. During 1973, PIL's output of high density polyethylene increased from 19,046 tonnes to 22,997 tonnes and of processed polyethylene products from 1,398 tonnes to 1,827 tonnes.

On a turnover nearly 10 per cent higher at Rs 10.88 crores, gross profit advanced by over 24 per cent to Rs 4.35 crores, although the cost of naphtha rose sharply. With the 10-year-old company still out of the income-tax net, net profit was substantial. Although dividend is maintained at 12 per cent, the whole of which is exempt from tax the board has also recommended issue of gift shares to the shareholders on a one-for-three basis and indicated repetition of distribution at the same rate on the enlarged capital.

The company's income-tax assessments are complete upto 1970. The directors have created development rebate reserve of Rs 235 lakhs in respect of plant and machinery out of the latest year's profits. Of this, only Rs 1,36,000 relates to 1973 and the balance to earlier years. They had created development rebate reserve of Rs 135 lakhs out of the profits of 1971 and of Rs 145 lakhs out of those of 1972. It is now felt that in view of past losses and unabsorbed depreciation, no deduction for development rebate will be allowed under the Income-tax Act for the accounting year 1971. Accordingly, Rs 125 lakhs out of the development rebate reserve created in 1971 have been transferred to the general reserve after retaining Rs 10 lakhs in respect of plant and machinery installed during 1971. Total development rebate reserve at the end of 1973 thus stood at Rs 390 lakhs. On a writ petition by the company, the Bombay High Court, quashed the order of the Income-tax officer withdrawing the development rebate of Rs 316 lakhs granted for 1968 and allowed to be carried forward and set off against future profits, but the company understands that the department is taking up the matter in further appeal before the Supreme Court.

The Week's Companies (Rs in Lakhs)

	PIL		NOCIL		British Paints		National Rayon	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up capital	540	540	1200	1200	110	75	575	575
Reserves	769	467	1335	609	55	88	754	691
Borrowings	539	620	2264	3101	94	68	447	387
of which Term Borrowings	490	564	1680	2148	—	—	321	307
Gross fixed assets	1385	1328	5448	5179	127	118	3194	3092
Net fixed assets	937	965	3459	3579	62	59	974	979
Investments	3	3	186	185	—	—	42	42
Current liabilities	139	101	323	248	164	118	685	1262
Current assets	990	742	1255	1119	358	287	1445	1894
Stocks	192	148	784	767	177	141	735	786
Book debts	264	338	453	338	168	141	604	1047
Net sales	1088	990	3413	2872	549	419	2568	2383
Other income	99	47	96	99	10	7	28	20
Raw material costs	334	336	1001	848	324	235	641	644
Wages	110	87	247	196	101	81	547	511
Interest	50	55	208	260	9	7	36	32
Gross profit (+)/loss(—)	435	350	1237	873	42	26	568	524
Depreciation provision	86	82	391	362	7	7	108	122
Tax provision	—	—	—	—	21	12	275	250
Net profit (+)/loss(—)	349	268	846	511	14	7	185	152
Development rebate provision	235	145	750	378	1	1	10	7
Transfer to reserves	49	58	—48	13	1	—3	45	23
Dividend								
Amount	E 65	65	E 144	120	E 12	9	P 10 E 120 P5.55	10 112 5.55
Rate (per cent)	E 12	12	E 12	10	E 12.50	12.50	E 30	28
Cover (times)	1.76	1.90	0.66	1.11	1.08	0.66	1.40	1.20
Ratios (per cent)								
Gross profit/sales	40.00	35.35	36.21	30.39	7.65	6.20	22.62	22.00
Net profit/capital employed	18.88	16.47	17.63	10.47	5.41	3.03	10.41	9.19
Inventories/sales	17.65	14.95	22.97	26.70	32.24	33.65	28.62	33.00
Wages/sales	10.11	8.79	7.23	6.86	18.40	19.33	21.30	21.44

NATIONAL ORGANIC CHEMICAL INDUSTRIES is seeking an industrial licence for annual manufacture of 1,500 tonnes of technical organo phosphates as also derived formulations, based on technical knowhow to be supplied by the Royal Dutch/Shell Group. The project is estimated to cost over Rs 10 crores. The raw materials, which are not naphtha-based, willl be available mainly from indigenous sources. If the proposals are sanctioned shortly, the management hopes to be able to commission the plant by the end of 1976. Since the company's existing trading activities include the marketing of similar technical and formulated pesticides, the existing distribution facilities in India can be advantageously utilised for the products of the proposed plant. Meanwhile, the new naphtha pipeline from Burmah-Shell Refineries, across the Thana Creek bridge to the plant site is expected to be soon commissioned for use. Total production volume in 1973 was higher than in the previous year, despite frequent interruptions due to power failure. With demand for all the company's products increasing steadily, net sales increased by about 19 per cent to 34.13 crores. Sharply rising cost of naphtha notwithstanding, gross profit at Rs 12.37 crores showed a gain of over 41 per cent over the previous year's level. Equity dividend is raised from 10 per cent to 12 per cent. The statutory development rebate to be availed of as at the end of 1973 in respect of plant and machinery is estimated to be Rs 12.57 crores. The company has created a reserve of Rs 7.50 crores, including Rs 50 lakhs relating to expenditure on plant and machinery installed in 1973.

BRITISH PAINTS (INDIA), a member of Berger, Johnson and Nicholson group of UK, operating in India for the last 50 years, has now decided to reduce the foreign shareholding to 45 per cent by issuing 2,62,282 equity shares of Rs 10 each at a premium of Rs 4 per share to Indian nationals only. The board's decision has followed a condition stipuated by government while sanctioning the company's bonus issue last year. According to the proposal submitted to the Controller of Capital Issues, 97,395 shares are proposed to be offered to existing members as 'rights' on a one-for-five basis, 26,000 shares are to be reserved for subscription by directors and employees of the company, and 1,38,887 shares are to be made available for subscription to the public. The company has produced very good results for 1973, although the directors complain that it was a year of shortages and high prices of important raw materials and when unscheduled load shedding interrupted production. The accounts show, however, that on an increase of 12 per cent in sales by volume, net sales realisation advanced by 31 per cent and gross profit jumped ahead at twice that rate. Equity dividend, maintained at 12.5 per cent on the enlarged capital, is fully covered, whereas last year's payment was a third short earned. Foreign exchange earnings by way of exports amounted to Rs 14 lakhs, while value of imports of raw materials exceeded Rs 16 lakhs and foreign remittance of dividends came to Rs 4 lakhs.

NATIONAL RAYON's nylon-6 tyre cord project, which has been lagging behind because of economic conditions and delay in finalising the required additional finance, is now likely to go into stream either at the end of this year or in the first quarter of next, according to the chairman Naval H Tata. The original cost estimates will have to be revised owing to revaluation of some foreign currencies and mounting prices of Indian equipment. The company has yet to receive the revision of its import licence on account of revaluation of foreign currencies and also licences for crucial equipment like cording and twisting machinery and machinery for conversion of yarn into fabric. NRC has also received a 'letter of intent' for manufacture of additional 100 tonnes of caustic soda per day, but the directors are having second thoughts on it and are going into the economics of the projected cost of production of the main product as well as the allied products. The company's performance in 1973 has been better on the whole than in 1972. Although realisation on the textile yarn was high, the company did not do so well on the cord side owing mainly to power-cuts, strikes and lock-outs in the tyre industry affecting some of its important customers. Equity dividend, raised from 28 per cent to 30 per cent, has a better cover than in the previous year. The chairman anticipates a very high demand this year both for textile and tyre yarns.

WELLMAN INCANDESCENT INDIA's capacity for industrial furnaces and allied equipment has been allowed to be stepped up, in terms of value, from Rs one crore to Rs 3 crores per annum — subject to the execution of a technical collaboration agreement with Wellman Engineering of UK to the satisfaction of the Government of India. One of the terms of this agreement, stipulated by government, is that the foreign equity holding in the Indian company should be lowered to 40 per cent. The company is, therefore, offering 68,000 new equity shares, of Rs 10 each at par, as 'rights' on a 6-for-11 basis to Indian shareholders. Looking to the order book and the outlook for the company's business in the future, the management feels that the company should be able to fully exploit the enhanced licensed capacity. During the year ended March last, the company's factory had a lock-out for 6 months; it also had to experience frequent interruptions in power supply during the remaining period. Even so, completed sales increased by 12.5 per cent to Rs 144 lakhs. Since margins came under pressure, however, gross profit fell from Rs 18 lakhs to Rs 11 lakhs. The board has recommended a 10 per cent dividend.

COROMANDEL FERTILISERS is going ahead with its expansion project and expects to be ready for major linkage before the end of this year and for test runs in early next year. This project has also given the company an opportunity to set right some of the weaknesses noticed in the existing process units. With the implementation of the programme, the company will have an increased volume of product for sale which will strengthen its position. Production in 1973 approximated 1,83,000 tonnes, a decline of 30 per cent compared to 1972. The shortfall was due chiefly to power-cuts, disturbances and, in some measure, operating problems arising from mechanical breakdowns. The chairman, Bharat Ram, pleads that the fertiliser industry be exempted and insulated from power-cuts. The company's proposal for setting up a 5 MW power unit as a standby has been disallowed by government, because it was based on oil usage. Bharat Ram appreciates the state government's gesture of not imposing any cut in the power supplied to the company this year. Referring to the sharp rises in prices of rock phosphate and sulphur, he says that a short supply situation has developed in exporting countries and that if the freight rate trends continue the price of sulphur may go up still further.

Calcutta Diary

A M

THIS is an inexorable process; the shortage of paper claims victims in the remotest quarters. The little magazines are in danger of extinction: the ones with pretensions of monthly appearance have converted themselves into quarterlies; the quarterlies have turned into biannuals; the biannuals have ceased to be so, they have become so much chancy statistic. And all of them have thinned down.

Thereby, a certain richness of life is being rubbed out. Call it a transmutation of the libido, call it the burning of not-altogether-sparable calories, the little magazines represented an archetypal heritage of the Bengali middle class. There is this continuous tussle between mind and matter; the little magazines were the mind challenging the matter. Take any cross-section of clerks, school and college teachers, the unemployed. At any given moment, they are without funds; the sum of these moments is their collective existence. Nevertheless, at any given moment, a fair number among them were wont to indulge in the luxury of a little magazine. The range of themes such magazines would cover boggled conventional imagination: flaming prose; flaming poetry; poetry, as much of the revolution as of the cloister; Jean Genet and the theatre of the absurd; alienation and young Marx; personalised essays, some harping on the nostalgia of life in Presidency College circa 1949, some dilating on the epic heroism of an obscure woman partisan in Vietnam, another one perhaps analysing the agony of a cricket enthusiast on the eve of a test match; a number exclusively given to short stories; Utpal Dutt and the crisis of Bengali drama; Baudelaire and the concept of hell; nineteenth-century Calcutta tapestries; a discourse on whether Titu Mir was a revolutionary or a charlatan; neo-fascism, fundamental rights, and the elections of 1972; translations of three, or six, or eight French slapsticks; annotated commentaries on Antonio Gramsci's prison notes; a heavily footnoted dissertation on the Central Intelligence Agency's roster of alleged activities in South Asia since 1946; the McMahon Line and Neville Maxwell's "India's China War"; is Rilke relevant in the post-EEC European context; a pistachio of an issue running down, evenhandedly, the CPI(M) Satyajit Ray and the up-and-coming Davis Cup player. And the magazines would come in all sizes and shapes. The pages would be replete with naive snobbery; occasionally, there would be name-dropping aplenty; gushes of lyricism would follow pages spouting revolutionary fire; crass dishonesty would co-exist with all too obvious integrity. The writers would run one another down; the adversaries would be called the vilest of names; opportunism would snugly creep up and make a niche for itself next to fearless outpourings of invective against well known establishment figures.

Good, bad, often indifferent, together they still constitute a climate. A mirror to Bengali middle class life, you could say. Insufferable egotism, matinee-kind sentimentalism, wide-eyed sensitiveness, incorrigible nihilism, malice stemming from close and claustrophobic existence, imagination full of audacity, courage to dream impossible dreams, courage to compose incredibly sensuous lines, total indifference to the even bare rudiments of economics and finance, dangerous survival from day to day. Some of the contents might have appeared as prize specimens of elongated adolescence, some others could have seemed atrocious beyond words; but suddenly, in the melee, one would come across a piece, short or long, describing, with meticulous care, the sociological foundations of nineteenth-century French cuisine, or a profoundly moving, strikingly original, tract on Albert Camus and the notion of decadence.

Take it or leave it, these little magazines were a composite whole, an assertion of the left-over life of the Bengali middle class now fast a-dying. Economic opportunities have long passed them by. A combination of follies and circumstances has ensured that, in money matters, they will remain inept for ever. Sometimes the Centre will be blamed, with or without reason, for all that has happened or has not happened. Now and then, perhaps, a more perspicuous piece would appear in one of these magazines, drawing attention to the native deficiencies of the Bengalis themselves: it would be hard-hitting, mercilessy objective, not mincing a word. But while hard words do not break bones, they do not alter the face of reality either. Some of Bengal's young people have thus sought revolutionary death, some have disappeared behind prison bars; some others have taken to Bonnie-and-Clyde quasi-adventures, but with little of pure romanticism percolating in these. All of that, however, still leaves out a considerable number. The latter do not know quite which way to turn. This is an admission which they would hate to make even to themselves. The Bengali ego remains the Bengali ego. Woefully lacking in funds, deficient in calories, the Bengali youth — parochial, impossible — would still like to imagine the rest of the world to be lying at their feet. They might be without food, the only nourishment since morning till late afternoon might be a few tepid cups of tea or coffee, the animation would still not quite go out of their constitution. At this time, and at all times, every one of them is nonetheless a hero unto himself. The hero would launch a little magazine.

Perhaps nothing would ever be set on fire. Perhaps the course of a little magazine was always pre-determined, predictable, as predictable as the volatility of Bengal's youth. Perhaps to an outsider, idly leafing through the pages of such magazines at a street-corner stall, the contents were excruciatingly tiresome: perhaps when you got to know a couple of them, you had known them all. Even so, it would be no move towards Pareto Optimality if these shut down — as might soon be the case with most of them should the cost of paper become increasingly prohibitive and the all-round inflation raise other costs alongside. For it would then be a world without catharsis. As Aristotle sayth, it not gnosis, but praxis must be the fruit. To grant each his own gnosis is not enough. The ego must have its outlet. The decrepit Bengali youth, bereft of co-ordinates, cannot prosper in business. They will flounder in industry; if nothing else, the land-man ratio will keep them away from agriculture; by now they have neither the inclination nor the aptitude to join the various administrative services in their hordes. Binomial causations are at work, and these youngsters, even if they wanted to, will no longer be able to catch up with the remorseless turns of history.

Economic opportunities are a function of asset-holdings. It is altogether futile to speculate whether the distribution of asset-holdings, as it has come about, has a built-in bias against these young people, or whether nemesis has been brought about solely by the Bengali's passion for iconoclasm and vacuous romanticism. Maybe the latter proposition has an element of truth in it. But any attempt to rid the Bengali of his core of cynicism-alternating-with-romanticism would hardly do much good. Take away their little magazines, and several of these youngsters would be deprived of the privilege of the only praxis they know of. The closure of the magazines would not automatically lead them into the ante-rooms of money-minting companies, nor into the cosy parlour of the government. For the issue of asset-structure is not a mere matter of psychological obsession: it is a concrete entity, and cannot be demolished at short notice just because some alleged idlers have their fiddling instruments confiscated. Those who are in with the assets would resist those who are out; the would-be gate-crashers, the overwhelming majority of them, would return empty-handed. What would they do then, without their little magazines?

Only a thin line separates the hilarious from the tragic. A world without little magazines could, according to some, appear to be a world with so much less trash. In case you happen to be a cost-benefit megalomaniac from the ravines of economics, the disappearance of the little magazines might even seem a crucially significant development, bottling up a 'non-priority' activity, with so much saving of precious paper. Nobody seemingly is bothered about the opportunity cost involved: quantifying that would require venturing beyond one's nose, always an inconvenient chore. By shutting down the little magazines, you would be killing many loves, quashing many dreams. But, what should be more relevant, you would be shutting off a modality of expression: the emotions which belong to a dangerous span of years would henceforth keep simmering, but would not be able to simmer over. A complex of urges would grope about in search of an outlet. If there is not going to be any letting out of words, who knows, there might be a whole lot of extra letting of blood.

CAPITAL VIEW

The Presidency

Romesh Thapar

WE are about to plunge into the politics of the presidential election. Apparently, just before the Prime Minister left the Capital for her tour of forward posts in Ladakh, she dropped the name of Fakhruddin Ali Ahmed as a suitable candidate. Of course, this doesn't mean that he is the candidate. He is the first 'kite', as it were, and reactions will be studied — particularly the reactions of the Giri family in Rashtrapati Bhavan. One has to speak about 'the family' because there is some confusion about who in the clan will take the decision about fighting for another term.

Opinion is divided about 80-year-old Giri's ambitions. Until a few months ago, he was not giving any indication of being interested in another term. Then, reports began to circulate about how fit he was, 'like a young man', even though photographs showing him being propped up by ADCs belied the reports. Soon, we were being fed on 'Giri's opinions' which were critical of the Prime Minister. Clearly, he was 'in the running'.

We are now assured that Giri will stand, not as the nominee of a party, but as the 'people's candidate'. This familiar gambit developed soon after the crisis surrounding the railway strike, during which the President of India spoke like an 'impartial' observer of the scene. And, now, a more significant opening shot has been fired — an article in the CPI's central organ urging that Giri be a 'consensus' candidate, whatever that might mean.

Not Worth the Tension

In Giri's rather talkative entourage, where family members mercilessly exploit protocol and privilege at every opportunity, there is no sign that the good days are coming to an end. Plans are even being projected for ceremonial tours next year. After all, hasn't the Lord Shiva so decreed!

As for the toughies who observe the sick scene in Delhi, the feeling is all prevalent that if Giri digs his uncertain toes into the ground, and is persuaded by his wife and the other leading members of his entourage to turn a deaf ear to the Prime Minister's plea that he retire, then the political embarrassment will be such that probably Giri will get his second term — as a so-called 'national' candidate. Clearly, the way the Prime Minister views the Presidency, it is not desirable to build up unnecessary tensions at this problem-encrusted moment.

If one goes deeper into the situation, it is easy to understand why patchwork solutions usually dominate. The ruling party's candidate for the Presidency is no longer a man chosen for the respect he enjoys nationally. He is, usually, a defunct politician who will reflect a certain regional or communal balance, and who will not make trouble. Such men — or women, for that matter — cannot make the candidature of the Giris of this world look ridiculous. This is the essence of the present presidential speculation.

What is the feeling in the country? Neither this nor that. The President is too remote a character. In the towns, particularly the cities, the demand is crystallising that Indira Gandhi give the presidency not only a new dignity, but a new discipline. Everything that pertains to the Rashtrapati and his activities has become lax. And reform is doubtful unless associated with someone who understands the need for setting the correct precedents. Our institutions are living on borrowed time. This requires urgent understanding.

It is extraordinary how the national Press evades this whole issue on the false assumption that Presidency should not be discussed in public. Those who trot out this excuse forget that no one in a democracy is above comment. As for the presidential institution, it needs thorough definition, restructuring, and disciplining. The gossip that surrounds Rashtrapati Bhavan and its inmates is unhealthy, but it will continue so long as there is refusal to face responsibilities.

Well, where does one begin? Naturally, in the selection of a candidate. Who? An easterner? A southerner? Where are the national figures? Have they all perished or are they all eighty-year-olds? Maybe, we have some tame candidates who will pass muster. What a motley bunch? Where does one turn? To a woman? Not really. Then what? And so it goes on, this sad, sad speculation. There is no one to give a fresh lead — and the so-called radicals are about the most dead in the head.

June 24

FROM OUR CORRESPONDENTS

India's Nuclear Explosion: Its Effect upon Environment

David Gosling

AS the political repercussions of India's "peaceful" nuclear explosion continue to reverberate to and fro across the Atlantic, it is pertinent to consider the environmental issues raised by underground nuclear explosions. Worldwide press and public reaction to the recent explosion reflected a mixture of ignorance about the extent to which India's nuclear potential over the past two decades has progressed, coupled with dismay that scientific progress should appear to be used by a developing nation for something other than economic development. These attitudes were typified to a large extent by Canada's uncertainty as to whether or not the plutonium used in the explosion had been obtained from the Canadian-designed CIRUS reactor at Trombay or by indigenously built Indian reactors, and by the Canadian government's later threat to suspend certain types of economic aid to India. Insofar as Canada has always been in the forefront of countries which have provided assistance to India on fairly generous terms, the reaction was understandable enough. But the Indian reply, namely that nuclear explosions really *can* be used for peaceful economic purposes needs both to be examined carefully, and also to be set against the background of the Indian government's overall nuclear programme.

Planning for Some Time

Firstly, it needs to be stressed that although the timing of the explosion was apparently arbitrary, India has been planning an underground nuclear explosion for some time. A year ago it was discussed in *Nuclear India*, a technical Atomic Energy Commission publication, and Rajasthan was mentioned as the most probable site. Last December K C Pant, Minister of State for Home Affairs, told Lok Sabha that experiments of this nature were unlikely for some time, but added, darkly, that it was not "in the interest of the House to know about the date". Pre-test hydrological and ecological surveys still needed to be conducted, and the cost was likely to be very high.

There is no scientific reason to doubt the legitimacy of using small nuclear explosions to unearth mineral and other deposits. Both the Russians and the Americans have been exploding underground devices for many years — much to the annoyance of countries such as Sweden which have been urging the superpowers to honour the 1963 partial test ban agreement. But the Russians have argued persistently and persuasively that in addition to underground explosions designed to test nuclear "deterrents", they have also used nuclear techniques to loosen vast mineral deposits. Not surprisingly India has denied any kind of political link with Russia over their recent explosions; however at a purely technological level Russian and Indian scientists have pooled their knowledge about ways of exploiting mineral deposits at a number of scientific conferences. A recent issue of *Nuclear India* mentions the effect of plutonium pollution on marine life and states that plutonium concentrations in the ocean "will probably be increased as a result of fast breeder reactors . . . situated near the coast". But India's oil deposits are also situated near the coastlines, and it seems more than likely that nuclear explosions may be used to locate them and to intensify their concentrations.

Another Device

If and when India decides to explode another "device", it is likely to be either in a coastal region where oil has been located, or in an area where uranium deposits similar to the ones which were recently found in the United Provinces are thought to exist. These deposits are not particularly dense, but they extend in a large arc from a point where a line bisecting India from north to south touches the lower limit of the Himalayas in a north-westerly direction. The Rajasthan explosion occurred well south of this area, but the choice of the site was probably determined by safety considerations. If India did decide to explode a nuclear device in the region of her uranium deposits, then she would almost certainly incur the wrath of either Pakistan or China, depending on which section of the deposits she chose to exploit.

Before discussing the problems raised by nuclear explosions for the safety of the environment, it will be convenient to review briefly the stages by which India has been able to produce plutonium indigenously. Indian research on plutonium technology began in earnest in July 1958 when the Atomic Energy Commission decided to construct a pilot Plutonium Separation Plant at Trombay. Its capacity was designed to be large enough to treat about 50 tons of used fuel elements from conventional uranium reactors per year, and work on the plant started in early 1959. By 1964 most of the construction work was complete, and chemical tests on the properties of plutonium had also been carried out at a Radiochemistry Laboratory.

Very Tenuous Indeed

Active fuel from a reactor was first introduced into the plant on June 1, 1964, and plutonium has been steadily accumulated since then. The entire Plutonium Plant was built without any foreign technical assistance whatever; admittedly spent fuel from the joint Canadian-Indian reactor, CIRUS, was initially fed into it, but more recently the Plant's plutonium supplies have been obtained from the Tarapur Power Units. Thus the link between the underground explosion and Canadian aid is very tenuous indeed.

It is important to see the significance of Plutonium technology against the wider background of India's overall nuclear Plan. It has been known for three quarters of a century that in the beach sands of Kerala and Tamil Nadu "there are the largest deposits of a substance known as monazite in the world. Other deposits are located on the Ranchi plateau in southern Bihar, and these contain nine or ten per cent of the element thorium. In all, some 500,000 tons of thorium are contained in these monazite deposits. This massive natural asset sets the pattern for India's long range nuclear planning and the crucial role played by plutonium.

Thorium is a harmless enough element as it occurs naturally, but it can be incorporated in a nuclear transformation cycle to give uranium-233, which has a similar nuclear configuration to thorium, but which is radioactive. Uranium 233 can be used together with plutonium in a fast reactor to produce atomic energy. But not only does this particular fuel cycle give large quantities of energy, but is "breeds" extra plutonium. This additional plutonium is so pure that it does not even need to be processed in a Separation Plant.

India could conceivably have leapfrogged the construction of a Plutonium Separation Plant, imported small quantities of plutonium to feed her fast reactors, and then stockpiled the plutonium bred by them. But it is very likely that whoever gave the initial supplies of plutonium would have insisted on an all-time embargo on the use to which it was put, and if recent Press reactions are anything to judge by, peaceful nuclear explosions would have been precluded from the start.

Limitations of Plutonium

India's choice of plutonium technology has therefore been determined by economic and practical reasons. Nonetheless, plutonium has its limitations, and these must be briefly reviewed.

First of all, plutonium is highly radioactive. The dangers of radioactive contamination can be very serious as anyone who has seen the the photographs of radiation burns caused to Japanese fishermen by radiation will know. Within the context of a peaceful atomic energy programme the danger of radiation burns lies largely in the fact that they are incurred without immediate pain. The radiation enters the body tissues in such a way that the damage is apparent only several days later, by which time it may be too late to take effective remedies. It is not so long ago that a research scientist in the UK contracted leukaemia by standing beside a nuclear generator which he thought was switched off.

Plutonium is just about the most lethal of all radioactive substances, and as little as 0.6 millionths of a gramme taken into the body can cause death. Such a small quantity may float around as a minute dust particle, and its presence can only be detected with a Geiger counter or on a radiation badge. All scientists working near nuclear radiations wear special badges which tell them when they have been in contact with radioactivity. However although the use of such badges will indicate when the maximum safe dose of radiation has been reached, they will not be of any help if it is suddenly exceeded, and there is little chance of recovery from the effects of large doses of radiation. Scientists in laboratories all over the world work with plutonium and other toxic substances, but nuclear explosions, even the most peaceful ones, are not conducted in scientific laboratories.

According to H N Sethna radioactive fall-out from the Rajasthan explosion was negligible. In July scientists will study the radioactive contamination of rain water as it collects on the site during the monsoon. But it will take years for them to decide whether or not nuclear explosions will ever facilitate the storing of water in desert regions, and radioactive contamination will make any water undrinkable for a long, long time.

The time taken for plutonium radioactivity to subside is very long, and this is a second reason why plutonium may be less than ideal. The half-life of plutonium, that is, the length of time taken for one gramme of plutonium to decay by alpha particle radiation to half a gramme is 24,360 years! By the end of this period, earthquakes, subterranean rivers, or even normal surface erosion may have moved any radioactive materials a long way from their original location and brought underground nuclear waste to the surface.

Excellent Record

It can be stated with some justification that India has an excellent record for nuclear safety, and that there are genuine scientific and non-military benefits to be gained from underground nuclear tests. No attempt will be made to review the spate of arguments which have already been given in the press in defence of the claim that the recent explosion was for completely peaceful purposes, but a few significant points are worth making.

With regard to nuclear safety, the general tone of the AEC's attitude may be gleaned from the following directive which appeared in *Nuclear India*:

> Radioactive materials and sources of radiation should be handled in a manner which not only ensures that no harm can come to workers or anyone else, but also in an exemplary manner so as to set a standard which other organisations in the country may be asked to emulate.

So far, so good, but no one can reasonably expect individuals other than the more educated members of the public to take heed of such strictures. What precautions, for example, can be taken to prevent, say, a villager from killing and eating an animal or a bird which has been in the vicinity of a contaminated area? And, even more important, if nuclear explosions are to be used to shake up oil fields and release natural gas in coastal areas, what precautions will be taken with respect to contaminated fish?

This latter issue is discussed briefly in the March 1974 issue of *Nuclear India*, and it is clear that plutonium contamination in off-shore areas is a real possibility. Fishermen on the Kerala coast are already exposed to a higher-than-average level of atomic radiation on account of natural-uranium deposits, and the prospect of exposing them to even the smallest amount of plutonium radiation as well is not to be relished.

Not Suited for Peaceful Uses

Nuclear explosions can be produced with any of three fissile materials, uranium 233, uranium 235, and plutonium. Uranium 233 is obtained from thorium which is currently mined in Bihar, and will ultimately be made use of in fast breeder reactors. Its properties have not been studied as carefully as those of the other two materials, and no one has ever seriously proposed manufacturing a uranium 233 bomb. Uranium 235 was used on Hiroshima but is not easy to separate from the non-fissile (i e, non-explosive) isotope of uranium, uranium 238. China has been able to make uranium 235 nuclear weapons only by going to enormous expense separating the uranium isotopes.

Plutonium can easily be made into a bomb, and the Nagasaki explosion was produced with it. But all forms of plutonium technology involve greater health risks to personnel than uranium-based chain reactions, and it is unfortunate that the most dangerous fissile material also happens to be the easiest to prepare. Once India's fast reactors are in operation, then weapons-grade plutonium will be even more readily available than at present.

The prospect of more underground nuclear explosions has caused considerable concern outside India, and several commentators have seen this move as the thin end of a wedge which will open the door to a full-scale nuclear weapons programme. Ever since India refused to sign the Non-Proliferation Treaty many people have been convinced that atomic bombs are just around the corner for use against either Pakistan or China or both.

But the economic arguments in support of peaceful nuclear explosions as a means of mining crude minerals are sound enough, and if the Indian government really does intend ultimately to produce a viable nuclear deterrent, then it must be congratulated on having justified a large amount of the necessary groundwork for manufacturing one in terms of purely peaceful economic motives!

India is not alone in her decision to use underground nuclear devices, and it is important for Indian scientists to share the problems raised by contamination at an international level. The Russians have used small nuclear explosions to excavate canals and release natural gas. It is also probable that such explosions will unearth valuable minerals and intensify oil deposits. But plutonium may not be the best explosive for this purpose. And if it is not, then the countries which possess substantial amounts of fissile uranium-235 gain nothing in the long run by withholding it from India on the grounds that she may explode it — as they have done, and continue to do themselves.

NORTH

Hard Headed on Money and Power

VINDICTIVE action by Chief Ministers against colleagues and unobliging officials is by no means uncommon in this country, but Haryana's Chief Minister, Bansi Lal, practises this tradition with outstanding verve. On one pretext or another, he has gradually eliminated most of his political opponents. The state Assembly Congress party has been reduced to a pliable and subservient entity. Bansi Lal reigns supreme in the state. The Central leadership has been extending unstinted support to him. The state Governor has endorsed Bansi Lal's acts of commission and omission — even when their propriety has been blatantly dubious.

Thus, after the supersession of the Punjab and Haryana High Court's seniormost judge in the oppointment of the Chief Justice on May 10 with no legitimate justification given, there has followed the sudden dismissal on June 14 of Chandravati, Haryana's Minister of State for Revenue. Bansi Lal alleged that she was becoming "an embarrassment to the party and the government, as her activities went against the official policies". The real reasons, however, were quite different. State Congress Committee chief, Nihal Singh, stated on June 20, after a joint meeting of the PCC and the Legislature Congress Party that there had in fact been no complaint with the state Congress about any anti-party or anti-government activity by the dismissed Minister. Nevertheless, the party upheld the Chief Minister's action against her by an overwhelming majority; further, it went out of its way to reiterate full confidence in him and to assure him unstinted co-operation, thus underlining Bansi Lal's autocratic hold over the party machinery.

Chandravati's dismissal is, in fact, an aftermath of the scandalous incident that took place three months ago in Bhiwani district. It is alleged that the police harassed the mother and maternal uncle of a youth who had defeated the candidate who had been backed by Bansi Lal's son. Reports have it that the mother and her brother were stripped naked and subjected to other indignities at the police station. Their grandmother's house in Riwasa village, nearby, was reported to have been set on fire; the old woman died of burns. The police version was that she had committed suicide under pressure of anxiety caused by the Bhiwani incident.

Wave of Indignation

A wave of indignation swept the entire area. When Chandravati visited her constituency which is adjacent to the disturbed village in Bansi Lal's stronghold, people related the atrocities to her. She expressed sympathy with the sufferers, and is believed to have suggested to the CPI(M) leaders that they launch an agitation to protest against the police repression.

Bansi Lal evidently took serious notice of her action, and asked her to resign. When she refused, he simply persuaded the Governor to dismiss her. On June 19, he got Sharda Rani, another Minister of State, to give the official version: The Riwasa controversy was 'politically motivated'; the opposition parties were 'exploiting' the incident to mount a smear campaign against Bansi Lal; the police had committed no excesses.

On the economic front, the issue of control or decontrol of some essential commodities has been the subject of much debate in the northern region. Following the acute shortage of vanaspati, the Punjab government has renewed its request to the Centre for powers to take over the state's half a dozen private vanaspati mills which were not fully utilising their 300-tonnes per-day capacity. The government has offered to supply about 100 tonnes of vanaspati to the neighbouring areas after meeting the state's own requirements of 150 tonnes a day — provided control was lifted when production reached a satisfactory level.

The state government has also demanded that there should be no price control on 50 per cent of the stocks of cement earmarked for free sale. Under the existing arrangement, middle men pocket the higher real margin while consumers buy cement at Rs 30 to Rs 35 a bag in the black market — which is more than twice the controlled price.

Both Punjab and Haryana are now hammering away for 'a strategy' to enhance food production in the kharif season. Two measures have been predictably demanded as prerequisites: first, early announcement and stepping up of prices, especially for rice, so as to provide the requisite incentives, and second, adequate supply of fertilisers, preferably at subsidised rates. The UP example, of linking the supply of fertilisers and other incentives with the procurement drive, is being quoted in support. The fertiliser price hike, it is claimed, has nullified the recent incentives. It is maintained that, unless all the constraints are removed, there will be a fall in food production.

Punjab has adopted the line of persuading. the Centre to insist that every state put 50 per cent or more of its cultivable area under foodgrains for at least a couple of years to solve the food problem — and relieve the strain on Punjab and the Central reserves. The Punjab Food and Supplies Minister has underscored that many other states have been concentrating on profitable cash crop cultivation, and depending on states such as Punjab for their food supplies. Chief Minister Zail Singh has suggested that the entire power and irrigation needs of the farmers be met on a regional basis and a regular supply of inputs be ensured. Clearly, the ground is being cleared for horse-trading with the Centre for higher foodgrains prices and subsidised inputs, in exchange for the grain surpluses from this region.

WEST BENGAL

Undeveloping Politics

THE constitution of the Wanchoo Commission to look into allegations of ministerial corruption, and the 'silent burial' of the cold corpse of the Progressive Democratic Alliance (PDA) have led to a considerable thickening of the plot in the state. But they do not signify the imminence of a *denouement* in the state's politics. However much the Congress factions may in-fight, they cannot afford to fall apart — lest the CPI(M) regains its lost pre-eminence in the state's politics. Similarly, whatever the CPI's present position in the circle of its love-hate relationship with the Congress, it cannot break with the Congress without establishing a new equation with the CPI(M). Like the dead Ceasar, then, the decimated CPI (M) continues to be a powerful factor in the 'organised' sector of West Bengal's politics, which encompasses the smaller, but articulate, section of the population as distinct from the vastly more numerous but relatively less articulate masses.

Nevertheless, the recent moves and countermoves — of the various factions within the Congress and of the party's erstwhile PDA partner, the CPI — are quite significant, because they dramatically demonstrate the unbearable strains and stresses generated within the present framework by a fundamental stalemate comprehending two levels: (i) the level of the triangular relations between the Congress, the CPI, and the CPI(M), and (ii) the level of the static difference between the politically articulate the politically not-so-articulate masses. The two levels are, of course, interconnected as only a major shift at the second level can provide the impulse for a shift at the first level.

Viewed in this way, the responsibility for the apparent immobility in the state's politics must lie with the CPI(M). The CPI(M) has to take the lead in breaking the stalemate in the interest of its own recovery, by drawing fresh, popular forces into the arena.

Contrary to this demand of the situation, all that has happened so far is a gradual consolidation of the more diehard forces in the power-complex within the Congress party and in the administration. Siddhartha Shankar Ray had made his entry into the post UF politics in West Bengal as an ally of the younger elements headed by Priya Ranjan Das Munsi, MP and President of the All-India Youth Congress, and Subrata Mukherjee, Minister of State; both of them were, and still are, closer to ex-communist, pro-CPI personalities such as D P Chattopadhyay, Union Commerce Minister, and Arun Moitra, WBPCC President. However, in the past year or so, Ray has moved closer to old-style operators like the two cousins from the Ghosh family (owners of the *Amrita Bazar Patrika, Jugantar*, etc), Commerce and Industry Minister Tarun Kanti, and the Food Minister Prafulla Kanti — who in turn are tied up with the most cynical and pronouncedly anti-communist faction of the Congress youth; this faction has not only gathered a large base among the youth and the students but has also carved out a sizeable empire in the trade union sphere.

At the same time, Ray has achieved and displayed a certain independence of the party because of the sustenance drawn by him from the administrative machinery — particularly the police, which is headed, in the person of the Inspector-General, by a friend of his from college days. As a *quid pro quo*, he has also had to concede, as the Das Munsi faction persistently complain, a measure of independence to the higher echelons of the administration. This independence conceded has amounted to giving longer leash to hoarders, profiteers, blackmarketeers, and generally allowing greater play for corruption, repression, and callousness. There is no longer even ostensible effort to confront these with checks of any kind.

Slighted by the power-conscious bureaucracy and disgraced by Subrata Mukherjee's demotion from the Home (Police) portfolio to the Municipal Affairs portfolio, the losing faction of the Congress youth has been smarting for some time and getting increasingly agitated over the steady encroachments of its mass bases by the rival youth faction which is now backed by other powerful operators.

Influenced by these reactions and the growing popular disaffection, the Das Munsi-Mukherjee faction has been prompted to take an increasingly critical posture in regard to the Siddhartha Ray leadership. After having threatened its own party's government several times in the past with mass struggles against it, the Das Munsi-Mukherjee faction has launched its attack by publicly levelling charges of corruption and inefficiency against five of the Ministers belonging to the rival faction; the latter have retaliated in the same coin by putting four of the ministers of the first faction in the dock.

Faced with this escalation of inner-party confrontation, the Chief Minister, in consultation with New Delhi, devised the instrument of the Wanchoo Commission, along with the amazing innovation of the proposal for punishment for levelling unproved charges. Simultaneously, moves have been afoot for resumption of dialogues between the rival group leaders, which were originally initiated by the AICC general secretary, Chandrajit Yadav, for defusing the situation. Whether the threats

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of punishment will deter the would-be accusers, or whether the dialogues will finally lead to a *modus vivendi* is too early to say. But Siddhartha Ray and New Delhi are both banking on the ultimate deterrent — *viz*, the spectre of the CPI(M) which still stands in the wings; they hope, this cannot but cramp the styles of their own feuding chieftains.

It would be an exaggeration to suggest that the CPI's final decision about the party's formal breakaway from the PDA was arrived at secret conclaves with its Congress friends. The success of the Congress in managing the 1972 Assembly elections had destined the PDA to remain a signboard. Ray's cavalier conduct towards the CPI's contingent in the Assembly, together with the increasingly negative impact of the Congress regime on the population of the state, strengthened those in the state CPI who wanted a formal dissolution of the CPI's ties with the Congress. The recent 'tilts' in the national policy of the CPI towards 'struggle' also made it inevitable that so tenuous an entity as the PDA would not last. There are still no signs, however, that the CPI is inclined to revise its relationship with the CPI(M) fundamentally — at the national or the West Bengal levels — or to revise its overall collaborationist politics.

In the final analysis, then, a major shift in the state's politics cannot come about before the CPI(M) acquires more dynamism and depth, of which there are no hopeful signs so far. It still has considerable bases, but it mobilises them for stereotype motions which stop short of a real movement of the masses. And even this capacity to move may suffer if the party's inner dissensions over trivial matters are not ended soon.

SOUTH

Karunanidhi's Dangerous Diversion

Mohit Sen

THE DMK is clearly on its last legs and pretty rickety legs at that. This was clear enough following the Pondicherry election and the Coimbatore Lok Sabha by-election a few months ago. But worse was to follow for the theatrical Chief Minister. Whatever remnants of credibility his party might have retained among some sections of Tamil Nadu's poor were swept away with the resignation of the one Harijan leader who still had rapport with her following and who was one of Annadurai's closest associates. Now it was not a matter of corruption alone but betrayal of the downtrodden or discriminated in a direct and irrefutable manner.

Once it had become evident that the vast legislature majority literally counted for nothing, Karunanidhi decided to go in for extra-parliamentary methods. Here he was fully in line with the drive of the Right in other parts of the country. After all have not Charan Singh and Biju Patnaik, no less vociferously than Atal Bihari Vajpayee and Jayaprakash Narayan, publicly declared that the issue of power would have to be settled on the streets and with all the violence that may be needed?

Even the form of Right rebellion that he is trying differs hardly at all from the tactics adopted in Orissa, UP or Punjab. In the first place there is the resurrection of the cry of 'autonomy'. It is not autonomy in the sense that the states should have more powers to implement more expeditiously and equitably national plans of development. It is actually a thinly masked programme for the total destruction of Indian unity. The Central government is to be composed of representatives of the states and not of the majority in parliament. And this peculiar kind of regency has, in any event, the most limited of powers — diplomatic relations, currency and armed forces. The states are to be free to negotiate directly with foreign companies and governments on all other matters including those relating to economic affairs. What remains of India after this and of what use is the remnant? Biju Patnaik had called for the same kind of arrangement and promised to make Utkal prosperous with foreign help. The Akalis are scarcely lagging behind while Charan Singh projects his vision of a Jat state which would take in its embrace a major chunk of north-west India. The Andhra separatists had propagated the same approach drawing attention to the long coastline of their region.

It would be quite wrong, therefore, to brush aside Karunanidhi's project as just a gimmick of a desperate politician. It is that, of course. But it is not only that. It is an integrated part of the ferocious neo-colonialist offensive that is now on against our country. It is no secret that the office of the US Consulate-General in Madras is working overtime to contact anybody considered influential not only in Tamil Nadu but throughout the south. And the message, often enough put forward in the guise of questions by 'researchers', is always the same — the disutility of the continuation of the Indian Union from the point of view of the identity and interest of Tamil Nadu or Andhra or Kerala or Karnataka.

But this is not the only attack that the dying DMK has started against the democratic forces and their unity in the state. The other is the working up of physical assaults upon the Malayalees, both residents and travellers. The outrageous aspect of this pernicious gambit is that it is so transparently aimed at the Anna-DMK leader, M G Ramachandran, whose Malayalee origin most people in the state do not even know of much less recall. It should, after all, be remembered that the DMK had given birth to itself not on the basis of Tamilism but on that of the so-called separate stock and destiny of the Dravidians — covering all the states of the so-called south. It is quite clear that the attacks on the Malayalees are only the prelude to organised hoodlum violence against all who rally behind a Malayalee leader, i e, against the emerging democratic alternative to the dying DMK. Again, it is a testimony to the utter incapacity of the DMK to organise anything resembling a mass movement and to the inherent democratic good sense of the Tamilian masses that this vicious campaign has not gained anything like the momentum that its sponsors had hoped for.

It is, of course, essential that the democratic forces in Tamil Nadu should be vigilant against and unite to oppose the manoeuvres of Karunanidhi which are aimed, in the first place, against them but which have grave implications for the entire country. But it is far from enough, apart from being tactically unsound, to confine oneself to defensive action. The whole point now is for the democratic forces in Tamil Nadu to come forward as the democratic alternative. It is necessary to review and to remove any of the hindering weaknesses which prevent such an essential emergence.

The ADMK has done and is continuing to do a most important job in shifting the major part of the DMK mass base to the Left. It just will not do in the Indian context, much less in the specific configuration of the consciousness of the masses in Tamil Nadu, to overlook the specifics of the transition mechanism as far as the movement of the masses is concerned. It is no use wishing that the masses would move in the 'normal' manner. As a matter of fact, the move from DMK to ADMK positions is precisely what is normal in Tamil Nadu. The skill required is that of understanding this normalcy and forging a link with it so as to make it a part of the more general and overriding trend of the democratic transition. This requires a complete understanding of both the potential as well as the limitations of the entire ADMK movement, particularly its leadership. This requires an approach that unites with, but by no means merges into the ADMK swing. Only if such an understanding is implemented, it is possible to make a dent in the Kamaraj mass base and to cut short the detour that the Congress leadership has imposed upon its organisation in the state.

And this requires, even more importantly, the maximum stress to be placed on expediting and organising the independent articulation of the working class and the toiling peasantry of Tamil Nadu. Nothing can substitute for this historic work. The railway strike and the support that it received from the entire working class in Tamil Nadu demonstrates the immense possibilities of the situation. This, too, not only in Tamil Nadu. What happened in the historic first three weeks of May was the arrival of the working class as the pioneering and vanguard element of the democratic transition in India. Not that the working class has as yet achieved that status. Far from it. But the working class is on the way and the way is the way of united mass actions combined with the building of even more firm democratic alliances. A splendid chance has presented itself in Tamil Nadu for the achievement of this result so much needed for its advance and that of India.

LONDON

The Asian Underclass Revolts

Farrukh Dhondy

ACTION has a way of destroying myths. Ever since they came here two years ago, the Ugandan Asians have been seen by the British working class and even by some Asian organisations, as a wave of 'sponger' immigrants. The prevalent myths, woolly and based as always on prejudiced notions and a vulgar tendency to generalise from surface phenomena, had it that the Ugandans were a new capitalist class, the NCOs of empire, the enemies of the unity of Asian workers, petit bourgeois elements who had filtered into the country under the patronage of a Conservative government and were fast setting up shops and businesses and buying up property. Nine hundred workers in the Imperial Typewriter factories of Leicester, have taken the sort of action during the past month which has made them collectively a national focus and, being Ugandans, have put paid to some of these myths.

In hard times they have assumed a unique position of militant determination within the working class, a very sweeping claim, but nonetheless true. At a time when the unionised workers of the country are by and large honouring the 'social contract' that their leaders have made with the minority Labour government and are watching for the inevitable let down that the history of the Labour party leads them to expect, the Asians have taken a stand. Their strike, now in its fourth week, has been one of those instances of determination which are in themselves a success.

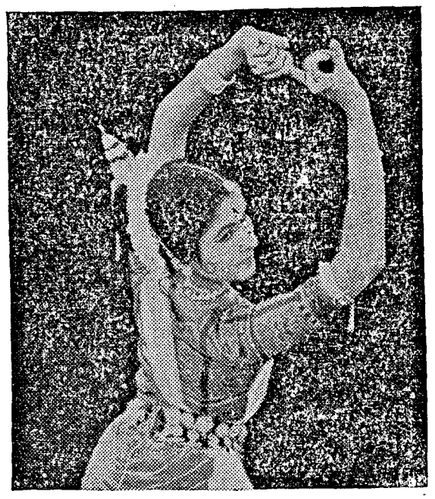
The one issue that faces Asian and Caribbean labour in Britain, the single issue that is defined by their function in the economy of this country, the issue that all other issues can be wrapped in, is the one the Ugandans have chosen to fight on. Their strike is not merely about wages, nor merely about promotions, it is about the relation of a section of the working class to production. Briefly told, the story of the strike makes the issue clear and hopefully will act as an inspiration and rallying point for the other black workers who are in the same economic compact and to whom the same possibilities of action are available.

Imperial Typewriters is part of the Litton Group, an international complex which employs 113,000 people. Beginning in 1908, the company has grown to produce office, defence, marine and digital data processing equipment. Litton bought over Imperial in 1966, paying £ 1.9 million for the lot, when the property itself was worth £ 1.7 million. With the purchase, the policy of management changed and positive encouragement to the easily available immigrant labour became apparent in the patterns of employment. The two plants in Leicester are situated in Highfields, one of the 'little Indias' of the Midlands.

Imperial does not pay wages comparable with those in similar industry. The plants in Leicester make typewriters of two varieties, the Model 80, which is a manual, and an electrical model. The machines are partly manufactured and partly assembled in Leicester. Consequently the plants have piece-work shops and assembly lines. The two factories and their offices employ about 1,700 people, 1,100 of them East African Asians. Five years ago, 90 per cent of the work force was white, but as industry expanded in the Midlands and multi-national monopolies began buying out indigenous British firms, the whites drifted away from the lower paid jobs which are also the most uncertain and the most tedious. The influx of Asians was consolidated by those firms which found them to be an alternative to paying more wages and altering machinery and processes. They recruited from those sections of the working class to whom society gives few options — blacks and women. Two years ago the labour shortage was combated by introducing an 'introduction system', which gives a bounty of £ 25 to workers who introduce others to the personnel manager. It is ironic that this very system of employment encouraged a network of East African Asians to form in the factory, the same network of feeling and community interdependence which is so powerful a force in the class struggle in the factory.

The strike started on May Day. It was the end of a very long series of grumbles, a sequence of dissatisfaction and months of robbery and deceit by the management. The dissatisfactions originate in many things. The factory runs a system of production incentives which is unfairly operated. The pay is calculated by a computer which seems to use a very free and fluid programme which management seem to understand but which leaves the workers with mysteriously less money than they claim to have earned. The workers almost all belong to the Transport and General Workers Union (TGWU) and

Demonstrate the fluid movement of the Odissi today. Assemble a TV set tomorrow.



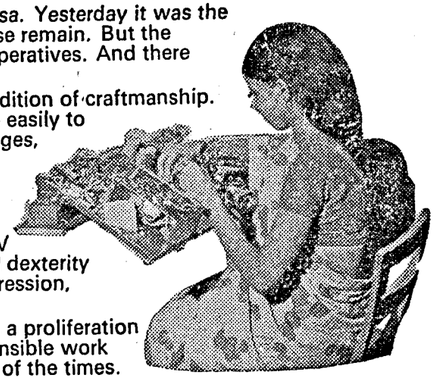
The people make a fine art of it.

Skill is a characteristic of the people of Orissa. Yesterday it was the Odissi, woodcraft and silver filigree work. These remain. But the development of industry has unfolded new imperatives. And there are new skills to be learnt.

The people, however, have an honoured tradition of craftmanship. And the technical disciplines of industry come easily to them. These are learnt in the engineering colleges, technical schools and industrial training institutes of the state.

But the application of these contemporary crafts is possible only in the varied industrial projects set up in Orissa. Tomorrow when a TV manufacturing unit is established, a proverbial dexterity of hand will find a more relevant mode of expression, assembling the intricate circuitry of a TV set.

Yet this is only a beginning. What is vital is a proliferation of industries to absorb such a large and responsible work force. Manpower that is geared to the rhythm of the times.



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are represented by shop stewards of the Union who are all white, hand-picked by the convenor of the works, Reg Beaver, who claims that there is no need for a dispute with management and that the Asians have been excited into action by "outside forces".

The production incentive system, in particular, has led to repeated stoppages on the shop floor. The workers are promised a bonus above their basic weekly rate of £ 18 for women and £ 23 for men if they produce above a given target. The problem is that the target is not arranged by the workers but by the supervisors who raise it once a worker becomes efficient, so cutting down the bonus. The calculations have been based on a figure of 115 per cent for bonus payment per hour after the union had secured an undertaking from management to pay at the rate of 125 per cent. The workers now demand a backdating of this swindled percentage from 1973 while the management which admits the robbery wants to pay from 1974. To a reader in India this may seem like a marginal heckle over a marginal amount of money. In Britain today the high cost of living and the galloping inflation make these margins the most powerful trigger of working class action. The males at Imperial earn £ 14 less than the national male average and the women earn £ 6 less than the average for women.

The strike in one part of a factory on May 1 spread throughout the two plants as other workers heard about it reacted to their long standing grievances. Within the first 48 hours, 900 workers walked out and began generating those forms of action which the British Left calls "spontaneous". The strikers immediately put out a bulletin, widely paraphrased in the national press, which claimed that the supervisors on the floor operated a subtle form of racism which insulted the workers and deprived them of money. A gathering of female workers said that in their shop production and payment are dependent on white male supervisors who set the machines which they operate. The supervisors inevitably set the machines of the white women before those of the Asians and consequently deprive the Asian women of upto £ 6 a week (the cost of keeping their babies at private nurseries while they go to work). They complained about the behaviour of white supervisors who followed them to the toilets to ensure that they did not take too much time off. They forbade them to speak in Gujarati and generally played sergeant-major around the shop.

The white workers have not supported the strike. The key to their withheld support they say is the allegation of racism made against the supervisors. Yet the wage claim and the demand for the end to racism are inseperable in the case of Imperial. The differentials in wages, treatment and skills are often set out in Britain along racial lines. Consequently the industrial actions of Asian workers are distinctive in that they rarely produce a division between the men and the women on the shop floor. Asian men and women always support each other's demands and in the case of Imperial have jointly demanded equal pay and equal job opportunities for women.

The strike is at present deadlocked. The strikers are also demanding the election of shop stewards for their branch of the Union as a prerequisite to going back to work. They are using the support of the other Asians in Leicester who belong to the same union to force a change. They have won the active support of four factories in Leicester whose workers are helping the strike committee with funds and a promise of a walkout when a show of strength is necessary.

If the strike does nothing else, at least it will set up a wave of pressure on the organised unions to take up the fight of the lower paid workers in the country and could start the process of proving these unions inadequate. But the action threatens, of course, to do much more. Following so closely after the struggle at Mansfield Hosieries in Loughborough and being part of the general awakening of Asian labour and of Asian women workers, the strike takes on a very specific significance. It is part of the self-organisation of the most underprivileged sections of the working class.

Government of India

5 PER CENT LOAN 1979 TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 16TH OF JULY 1979.
5½ PER CENT LOAN 1985 TO BE ISSUED AT RS. 99.75 PER CENT AND REPAYABLE AT PAR ON 16TH OF JULY 1985.
6 PER CENT LOAN 1998 TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 16TH OF JULY 1998.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 400 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) Securities of the 3% per cent. Loan 1974 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 3% per cent Loan 1974 will be paid at the rate of 3% per cent per annum upto and inclusive of 15th July 1974 at the time of issue of the new securities.

(3) Interest on the loans will be paid half-yearly on 16th January and 16th July. 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 in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

(4) Subscription lists will open on the 16th of July 1974 and close on 18th of July 1974 or earlier without notice.

Applications for the loans will be received at :-

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;

(b) branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at Hyderabad; and

(c) branches of the State Bank of India at other places in India.

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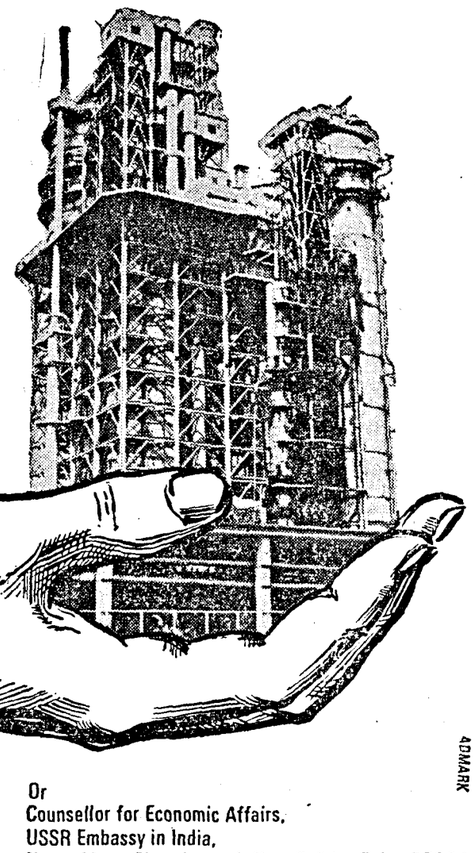
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The Foreign Connection

Nireekshak

IT certainly would not add to the joy of any politician or journalist to tell himself that foreign money, both overtly and covertly, has been subverting our parliamentary institutions, political associations, academic and other organisations and the press. Following charges of foreign money intervention in the 1967 elections, the Centre asked its Intelligence Bureau to make a report. The details of the findings were not disclosed but it is fairly well known that foreign money has been and is very much a part of the red light district of electoral politics. The general conclusion of the report, which the government shared with parliament, confirmed this belief. Action was promised to check the flow of foreign money into vital areas of national life.

Apprehensions Justified

The disclosures of CIA activities, at about the same time, highlighted the vulnerability of India's academic and educational institutions to foreign money. Soon there was a great deal of talk of foreign money's role in the Indian press. At the instance of the Information and Broadcasting Ministry, an inquiry was made but the findings were not disclosed though it is again well known that the apprehensions were more than justified by the inquiry findings.

Last December, at long last, the government introduced the promised bill to regulate the flow of foreign money to individuals and organisations. The Foreign Contribution (Regulation) Bill was introduced in the Rajya Sabha and is now before a joint select committee of parliament. It seeks to regulate the acceptance and utilisation of foreign contributions or hospitality with a view to ensuring that individuals and organisations in vital areas of national life may function in a manner consistent with 'the values of a sovereign democratic republic'. The Bill also seeks to distinguish between foreign contributions and foreign hospitality both of which along with "foreign source" have been clearly defined.

Advertisement subsidies, bulk buying of copies which often were never printed and providing additional income to the newspaper staff are some of the known methods of subsidising newspapers used by foreign powers, Eastern and Western, as also by Indian 'subsidisers'. Following a reference by the Information and Broadcasting Ministry, the Press Council ruled that embassy advertisements often published in a form likely to be mistaken for editorial matter should be clearly described as advertisements. Besides, the Council wanted the papers receiving advertisements from embassies to declare (along with the advertisement) the amounts received for them so that there could be no fudging of accounts and so that the payments received were reasonable and justified and not in the nature of subsidies.

But even such restrictions were not of much help because there are cleverer ways of getting foreign subsidies in rupee (or PL-480) form. For instance, an embassy may tell the firms and organisations engaged in rupee trade with that country to give advertisements to certain newspapers. The embassy does not directly come into the picture at all because the advertisements come from export houses and the like. Embassy patronage of this nature gives the foreign power in question a certain lien on the paper's policy and functioning. One wonders how the government proposes to check this because the Bill under discussion regulates only the receipt of direct foreign contributions and not the indirect flow of funds in rupee form.

Individual journalists have been beneficiaries in several ways from their foreign connections. Patronage can take the form of journalistic assignments for embassy publications or even for ordinary journals and newspapers abroad. Indians representing foreign newspapers might come under the influence of the embassy of the country of publication. Embassies of some of the Western countries are particular that Indians representing papers from their country should be 'reliable' from their point of view. The remuneration that comes in might be out of proportion to the quality and quantity of work done. Or maybe the payment is not repatriated to India at all and might be finding a niche in some foreign bank.

In relation to foreign money, individual journalists are sometimes found to be more powerful than the Indian papers they represent. They can fix invitations for their proprietor-editors to go abroad, arrange import of printing machinery, wangle scholarships for the children of proprietor-editors, etc. Regular delivery of crates of duty free liquor round the year, lavish hospitality during junkets, remuneration for planted stories and articles, planted questions asked at press conferences and situation reports made available to embassies — it is a sordid picture. The government cannot and will not check it fully because the government requires the services of the same journalists.

Moreover, as long as the government is unable to check the flow of foreign money into the political processes in the country, it cannot treat the press in isolation and seek to insulate it from foreign money. As it is there are some regulations to check such a flow. For instance, a foreign government cannot extend hospitality to an Indian journalist without the clearance of the government. But this is being got round by getting the invitations issued by some voluntary or semi-official organisation though the government of the host country might be behind it. As long as politicians are also known to benefit from such hospitality, the government cannot deal very firmly with circumventions.

Power to Discriminate

At best, the new rules to be framed when the Bill is enacted will give the government the power to discriminate — to let foreign funds and hospitality flow to those it favours and choke them off from others. As for foreign money held in the form of rupees, regulation will be near impossible and its subversion potential cannot be eliminated even if the government tries to do so.

In 1968, what were claimed to be the details of the Intelligence Bureau's findings were published in a New York daily. Every important party in the parliamentary spectrum, barring the CPI(M), found itself embarrassed by the report and everyone was trying to look holier than the other and stern measures to root out foreign money from Indian politics. The ruling party was not spared by the report and one heard a great many homilies on the need to wipe out foreign money from our public life. The fact that the government took seven years to introduce this Bill speaks for the complexities involved.

DENA BANK

BOMBAY

Balance Sheet as at 31st December, 1973

1972	CAPITAL AND LIABILITIES			1973
Rs.		Rs. P.		Rs. P.
	1. Capital :			
1,25,00,000	Paid-up Capital (wholly owned by the Central Government)			1,25,00,000.00
2,15,19,000	**2. Reserve Fund and Other Reserves :**			2,24,01,000.00
	3. Deposits and Other Accounts :			
	Fixed Deposits :			
	i) From Banks	1,42,19,920.13		
107,16,01,477	ii) From Others	131,67,94,896.35	133,10,14,816.48	
73,77,07,350	Savings Bank Deposits		87,22,36,816.54	
	Current Accounts, Contingency Accounts, etc.			
	i) From Banks	73,01,094.75		
39,21,84,443	ii) From Others	49,14,62,463.24	49,87,63,557.99	270,20,15,191.01
220,14,93,270				
	4. Borrowings from Other Banking Companies, Agents, etc. :			
7,87,06,934	i) In India		28,19,45,633.38	
Nil	ii) Outside India		Nil	28,19,45,633.38
7,87,06,934				
	Particulars :			
	A. Secured :			
2,21,16,075	i) By part of Investments as per contra		6,54,84,245.60	
Nil	ii) By part of Bills discounted as per contra		6,03,97,770.82	
1,15,90,859	iii) Under the Refinance Scheme of Industrial Development Bank of India & Agricultural Refinance Corporation by part of Advances as per contra		92,60,859.00	
4,50,00,000	**B. Unsecured :**		14,68,02,757.96	
2,36,72,430	**5. Bills Payable :**			2,94,47,741.70
	6. Bills for Collection being Bills Receivable as per contra :			
14,54,26,292	i) Payable in India		17,71,95,617.20	
2,35,92,397	ii) Payable outside India		3,12,73,297.71	20,84,68,914.91
16,90,18,689				
250,69,10,323		C/F ..		325,67,78,481.00

DENA BANK

BOMBAY

Balance Sheet as at 31st December 1973

1972	PROPERTY AND ASSETS		1973
Rs.		Rs. P.	Rs. P.
	1. Cash :		
18,21,60,129	In Hand and with Reserve Bank of India, State Bank of India and Notified Banks (including Foreign Currency Notes)		25,16,89,311.49
	2. Balances with Other Banks :		
16,61,979	i) a) In India on Current Accounts	23,80,587.15	
3,00,00,000	b) In India on Deposit Accounts	80,00,000.00	
4,05,227	ii) Outside India on Current Accounts	34,41,026.17	
3,20,67,206			1,38,21,613.32
Nil	**3. Money at Call and Short Notice :**		15,00,000.00
	4. Investments : (At or Below Market Value)		
80,63,12,293	i) Securities of the Central and State Governments and Other Trustee Securities (Face Value Rs. 83,86,42,000/-)	83,16,37,468.03	
	ii) **Shares :**		
10,20,234	a) Fully paid Preference Shares	9,65,286.00	
44,40,830	b) Fully paid Ordinary Shares	38,19,680.30	
Nil	c) Partly paid Preference Shares	Nil	
31,60,000	d) Partly paid Ordinary Shares	32,47,500.00	
2,62,18,118	iii) **Debentures or Bonds :**	1,18,13,317.50	
Nil	iv) **Other Investments :**	Nil	
Nil	v) **Gold :**	Nil	
84,11,51,475			85,14,83,251.83
	5. Advances : (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)		
	I. Loans, Cash Credits, Overdrafts, etc. :		
	i) In India (includes an amount of Rs. 92,60,859/- relating to medium term advances in respect of which finance has been obtained from the Industrial Development Bank of India and Agricultural Refinance Corporation as per contra)		
106,69,85,429		157,85,13,026.33	
Nil	ii) Outside India	Nil	
106,69,85,429		157,85,13,026.33	
	II. Bills discounted and purchased (excluding Treasury Bills of the Central and State Governments)		
21,61,08,314	i) Payable in India	32,95,27,544.43	
3,11,27,246	ii) Payable outside India	7,76,33,993.85	
24,72,35,560		40,71,61,538.28	198,56,74,564.61
131,42,20,989			
	Particulars of Advances :		
105,89,63,199	i) Debts considered good in respect of which the Banking Company is fully secured	160,21,43,766.06	
7,40,87,823	ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security	11,08,98,507.20	
18,11,69,967	iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of debtors	27,26,32,291.35	
Nil	iv) Debts considered doubtful or bad not provided for	Nil	
131,42,20,989		198,56,74,564.61	
61,19,369	v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons (Directors-Nil)	1,48,47,478.99	
Nil	vi) Debts due by the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents, or in the case of private companies as members	Nil	
65,82,721	vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons (Directors-Nil)	1,48,47,478.99	
Nil	viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of private companies as members	Nil	
Nil	ix) Due from Banking Companies	Nil	
236,95,99,799	C/F ..		310,41,68,741.25

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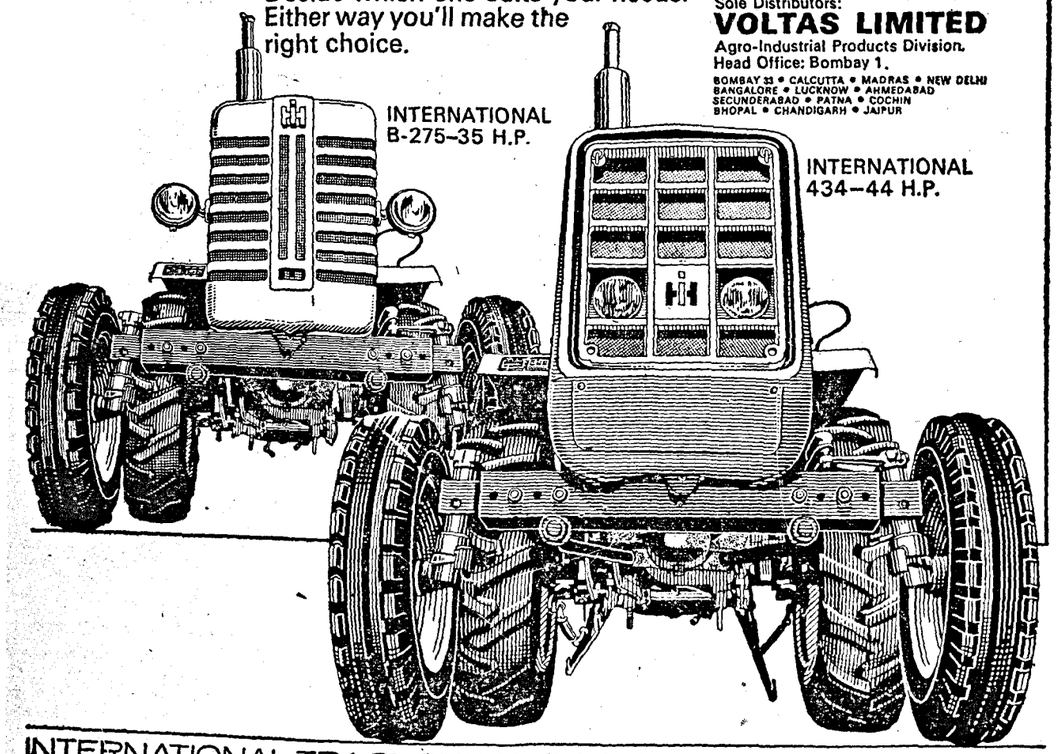
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REVIEW OF AGRICULTURE

June 1974

Notes of a Rural Area Development Tourist
John P Lewis

Lease Markets for Agricultural Land
V M Rao

The Bamboo Tubewell: A Low Cost Device for Exploiting Ground Water
P S Appu

Pre-Harvest Loss of Rice Due to Field Rodents
Subodh Kumar Roy

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Manuscripts intended for publication should reach the Editor at least six weeks ahead of the date of publication.

Round the Mulberry Bush

IN the current much-publicised discussions within the government on curbing the inflation, a conspicuous omission is that of measures calculated to restrain the rise in prices of foodgrains. The wholesale prices of foodgrains, according to the official price index, have gone up by around 65 per cent in the last two years. Steep as this rise is, it still does not adequately reflect the actual rise in the prices of food articles to consumers in large parts of the country. What this order of rise in prices of foodgrains means for the struggle for survival of the majority of the population — below the poverty line in the best of times — can be more fully appreciated if it is borne in mind that this has also been a period of stagnant investment and slow employment growth, of large-scale lay-offs and loss of employment on account of factors such as raw material and power shortages and of cuts in government expenditure on the so-called 'social services' which are supposed to directly benefit the poor.

If the government were able to exercise reasonable control over the prices and supplies of wage goods, among whom foodgrains are of course the most important, then the inflation can be most effectively taken care of by stepping up investment in the economy to expand output and capacity in the more important sectors. On the other hand, so long as the prices of wage goods continue to rise unchecked, as they have been doing, the stagnation in investment will continue, adding fuel to the fire of inflation. In fact, however, the government's preoccupation has been either with aggregative factors like the overall level of money supply and the increase in it or with the prices of commodities some of which, such as vanaspati, are at best only peripherally relevant while others, such as passenger cars, are totally irrelevant.

The alleged failure of the take-over of wholesale trade in wheat last season was made the ground for the reversal of that policy. The government has been anxious now to avoid attracting attention to the fate of the undertakings given by private foodgrain traders only a few weeks ago when the wheat trade was handed back to them: the traders had then promised to hand over to the government upwards of 5.5 mn tonnes of wheat out of their purchases from the farmers and to keep the 'open' market price of the rest to Rs 150 per quintal. So anxious was the government to accommodate private trade that public procurement agencies were instructed not to compete with private traders in buying wheat from the farmers. The fruits of this touching faith in the good intentions of the traders have not been long in coming: procurement of wheat in the current marketing season, now approaching its end, will be well below 2 mn tonnes or less than one-half of what was achieved last year under the government take-over of wheat trade, which has been roundly condemned as having been a failure. And yet the Prime Minister, who had personally negotiated the return of wheat trade to private traders, has not thought it necessary to call the traders to account. In any case, the traders have readymade alibis in the maze of restrictions on the movement of grains imposed by state governments — more for the opportunities for corruption they offer than to serve any economic purpose. In the circumstances, the Union Agriculture Ministry pretends to accept that, for some unaccountable reasons, of the normal marketed surplus of wheat only some one-third has come to the markets this year and that the remaining two-thirds — some 6 mn tonnes at that — has more or less vanished into the thin air.

The government has now been left with nothing to fall back upon but imports to keep the public distribution system propped up. However, while the country may finally end up by importing 4 to 5 mn tonnes of foodgrains this year at a cost of over Rs 600 crores in foreign exchange, it seems that the planning and phasing of these imports — by design or out of incompetence — will be such that they will have minimum impact in terms of really sustaining the public distribution system or bringing down the 'open' market prices of foodgrains.

The other plank of the government's approach to meeting the food crisis is even more incredible: government is apparently thinking in terms of another crash programme for raising foodgrain production. The government had, it will be recalled, spent over Rs 250 crores on the rabi crash programme in 1972-73, the impact of which on production has been even officially admitted to have been doubtful. According to statistics presented to Parliament, the production of rabi wheat in 1972-73 showed a fall of 1.5 mn tonnes over 1971-72, of summer rice of 0.4 mn tonnes, of rabi jowar of 0.9 mn tonnes and of rabi pulses of 0.6 mn tonnes. The principal effect of the expenditure on the so-called crash programme was to add to the larger farmers' power to hold back their surplus production from the market. The government, however, has apparently learnt nothing from that experience.

Notes of a Rural Area Development Tourist

John P Lewis

A number of lines of public debate and analytical interest in India—involving, among other things, agricultural activities in the countryside, schemes for 'integrated' development, ideas for more direct attacks on mass poverty and unemployment, efforts to identify and promote rural growth centres, and moves toward multi-level (state and district) planning—all seem more or less to be intersecting in a zone of policy concern called 'rural area development'.

In July 1973 the author spent between three and four weeks—mostly in Ahmedabad, Anand, Pantnagar, Bombay, Bangalore, Madras and Trivandrum—trying to gather some fresh notions of what is going on in the rural area development field. Necessarily, such tourist impressions are hastily and selectively based and it is left to the reader to supply a more integrated organisation of these notes. The points made by the author fit most readily under the following sequence of headings:

(1) the definition of 'regions' and 'areas' for nalytical and policy-administrative purposes;
(2) politico-administrative decentralisation of decision-making;
(3) delegating sideways;
(4) decentralisation and equity;
(5) decentralisation and finance;
(6) decentralised planning—the theory and practices emerging at state and district levels;
(7) settlements policy; and,
(8) articulating the network—operationally and in terms of research infrastructure.

A NUMBER of lines of public debate and analytical interest in India — involving, among other things, agriculture, relations between agricultural and non-agricultural activities in the countryside, schemes for "integrated" development, ideas for more direct attacks on mass poverty and unemployment, efforts to identify and promote rural growth centres, and moves toward multi-level (state and district) planning — all seem more or less to be intersecting in a zone of policy concern called "rural area development".

In July 1973 I spent between three and four weeks — mostly outside Delhi, in Ahmedabad, Anand, Pantnagar, Bombay, Bangalore, Madras, and Trivandrum — trying *via* talk with a variety of politicians, officials, quasi-officials, and non-officials to gather some fresh notions of what is going on in the rural area development field. Necessarily, such tourist impressions are hastily and selectively based; they are extremely fallible. Yet this latest junketing followed brief trips partly devoted to the same subjects in each of the three preceding years and a rather long period of sustained exposure theretofore. Thus my current impressions may be of some interest.

I leave it to the reader to supply a more integrated organisation of these notes. As a matter of convenience, such pattern as there is emphasises the centralisation-decentralisation theme, but the latter intrinsically is no more important than other issues, e g, that of equity and social justice, that cross-hatch the discussion. However, the points I want to make seem to fit most readily under the following sequence of headings:

(1) The definition of "regions" and "areas" for analytical and policy-administrative purposes;
(2) politico-administrative decentralisation of decision-making;
(3) delegating sideways;
(4) decentralisation and equity;
(5) decentralisation and finance;
(6) decentralised planning — the theory and practices emerging at state and district levels;
(7) settlements policy;
(8) articulating the network — operationally and in terms of research infrastructure.

'Regions' and 'Areas'

Innovators, especially social scientists, always are trying to remake the political/administrative map, and often with good reason. The political map seldom fits the divisions into which agro-climatic scientists, hydrologists, physical geographers, economists, anthropologists and other specialists would have the territory of a country carved for their particular purposes. Moreover, in their essential meanings, the words "region" and "areas" are inherently unspecified as to size (except that a region must be a sub-division of something larger). So there is endless debate — in India and elsewhere — about what, for development purposes, the scale of "regions" and "areas" ought to be, and where their boundaries should be drawn.

Blessedly, on this trip, I have found this debate somewhat damped down. The issue, of course, is whether developers of one kind or another should try to work with and within the existing politico-administrative jurisdictions. If one were only interested in research without looking beyond data gathering and analysis to the formulation of programmes for implementation, one might redraw the map rather freely — although even here if the data gathering requires much administration, and particularly if it is to be repetitive, there is advantage in conforming to the existing official geography. In fact, however, developmental analysis typically does look toward eventual implementation. Furthermore, development activities in fact are almost always multipurposed, and each single-purposed charting of an area will produce a different result. Thus the most scientific *composite* redrawings of the map cannot avoid blurred, overlapping, dissatisfying edges.

The emerging consensus therefore seems to be, first, that one should try to make do with the existing politico-administrative sub-divisions. Second, if one of the development functions or purposes in question is dominant (as in a catchment basin or major-irrigation command area) and has contours that clearly do not conform to existing jurisdictions, the *ad hoc* jurisdiction contrived should, for easier administrative articulation, be built out of multiples or components of existing jurisdictions. Third, additional layering of the Indian politico-administrative structure should be undertaken with caution (since it injects additional relay points, which also become delay points, into

the vertical communications and clearances chain). But where such extra layering is thought important (as in the case of splitting districts for development purposes in Tamil Nadu or reactivating the divisional commissioner level in Karnataka) the new levels should also be clean multiples or components of existing jurisdictions.

If this indeed is the consensus, I applaud it on practical grounds. There is, it should be noted, a contrary suspicion in some quarters, namely, that some of the existing jurisdictions, rather than offering serviceable machinery to developers, are so inherently anti-developmental in their political structuring and habits of mind that it may be necessary to bypass them and construct new development-administration venues on that count alone. I am one who has seen precisely this argument as one (but only one) of the reasons for not regarding the Indian village as the pivotal development unit. But I doubt that the same position need apply to the politico-administrative structure generally.

Finally, in chiming in with the trend against scientifically challenging rechartings of the map, it behooves any American observer, especially, to remind his Indian colleagues of how good, for development purposes, their existing jurisdictions already are. Compared with the 50 states of the United States, for example, the Indian states fall into a clustered, fairly narrow size distribution, whether of population or territorial size — even though one and perhaps more could be usefully divided. They all have a measure of homogeneity (particularly as to language). Almost without exception their largest towns are their capitals. Moreover, the capitals, whether or not geographically centred, are effective centres of statewide communications; and, aside from Delhi itself, there are virtually no instances of the problem that makes the political and economic geographies of the whole eastern portion of the United States so incompatible — namely, metropolitan areas that spill across the intersections of two or more states.

Much the same claims can be made for Indian districts. They also, by and large, are a very sensible set of jurisdictions for development purposes. On the whole, as they now seem disposed to do, Indian developers should find it quite feasible to work within the existing politico-administrative geographical frame.

Decentralisation of Decision

The transfer of large measures of discretion to the lower levels of the politico-administrative hierarchy appears to be a practical necessity in all massive national systems. In different forms the same lesson has been drawn in the United States, the Soviet Union, and China that now is being drawn in India.

My impression this year, compared with a year or two ago, is that the general advantages of delegating authority downward — selectively and appropriately, not indiscriminately — are still widely recognised in India. But there is not as much movement in this regard as one might have predicted a couple of years ago. The subject divides into two parts — Centre to state delegations and delegations downward within states.

As to the first, a year or two ago one saw the prospect of a greater devolution of developmental decision-making on the states as a function of the greater gathering of political power that had occurred at the Centre. In many ways power is delegated downward more easily and gracefully from a position of political strength than of weakness. During the past year or so the piled-up power in Delhi appears to have eroded. The Prime Minister has found it more difficult to orchestrate state ministries than one imagines she expected.

Moreover, some of the intellectual impetus toward shifting decision-making power to the states has slowed down at the official or quasi-official level. This seems to be evident, for example, in the change of temper from the Gadgil to the D P Dhar Planning Commissions. Partly the reason is one of principle: as elaborated below, there is fear that, contrary to the superficial assumption, decentralisation may be anti-egalitarian. Thus the pro-egalitarian minimum needs programme would pointedly *not* be discretionary; it would be passed down through the states to local jurisdictions on a strict categorical-grants basis.

Partly the check on Centre-to-state delegation reflects the feeling of the central planners (correct in my judgment) that certain functions and sectors, e g, electric power, already have been over-decentralised. Partly it reflects the circumstance (a characteristic also of other pre-five-year-plan years) that the dialogue between Centre and states about the inter-level resource sharing that will apply in the Fifth Five-Year Plan has been slow in getting underway. In part the slowdown that one senses in Centre-to-state delegation may simply reflect the fact that some of the key personalities, by disposition or professional background, are more centrist than their predecessors.

At any rate, although Centre-to-state delegation remains an "in" idea, it does not appear to be as probably "on" in the short run as seemed to be the case only recently. Such further delegations as occur may be more bargained away from Delhi than benignly bestowed by it. And there are new and important reservations about the theory of delegating downward. Yet my own assumption would be that, in the longer and broader sweep, the logic of decentralisation will prove so compelling in a system of India's size and complexity that the trend's apparent slowdown will prove to be, at most, a pause, not a reversal.

The other part of the delegating downward issue — that within states — always has seemed to me the more difficult and problemmatical. It is within the several states that the centralism which has characterised the whole Indian politico-administrative system at least from the time of the British has been strongest and most stubborn.

On this matter my own hypotheses at the start of the seventies would have been (a) that state secretariats would tend rather systematically to resist delegations of consequential discretion to the districts or other local levels (except in time of localised, e g, drought, emergency); (b) that states' political leadership also would resist such delegations, since the power and patronage of state politicians — often, even, of back benchers — are greater when they do not have to be shared with local politicians or administrators; and (c) that, therefore, major downward delegation within a state was likely to occur only if it were aggressively sought by the Centre's political leadership — to the point of the latter's being prepared to strong-arm recalcitrant state ministries on this account and make genuine delegations of discretion from state to district administrations a condition for receipt of substantial Central grants.

I had a further hypothesis, namely, (d) that in a self-consciously democratic system, major delegations of developmental discretion downward that flow simply to administrative functionaries such as the district collector near the bottom of the administrative chain could not long survive unless such officials came to be surrounded, conditioned, supported and indeed directed

by genuine local self-government. Nothing in my recent travels disturbed this last hypothesis; on the contrary, the on-going Maharashtra and Gujarat experiences seem to support it — even though, in some states, one does observe that some secretariat and ministerial personnel feel easier about delegations to one of their own unencumbered bright young men than to one who must submit to all the dissonance and log rolling of an activated local politics.

But as to the other three hypotheses, my recent touring did not support them very well. First, hypothesis (c) — strong arming by the Centre — is broadly perceived not to be feasible at present. Second, as to (b), there is a mixed picture. In some states — it is interesting that two of them, Tamil Nadu and Kerala, have non-Congress governments and vigorous multi-party politics at the local level — state ministries do indeed appear to share the suspicion of downward delegations that I anticipated. Yet in some other states this apparently is not the case; it is interesting that in one of them, Maharashtra, not only is there a particularly strong chief minister who is personally deeply committed to decentralisation, but there is an apparently secure Congress(R) majority statewide.

Referring back to hypothesis (a), the secretariats also are not of one mind. To be sure, many of the state officials with whom I talked quite fulfilled one's expectations of resistance to delegations of substantial discretion to the local level. Lest that statement sound patronising, let it be emphasised that these include some of the most dynamic, effective, development-bent officials of my acquaintance. Their reluctance is rationally, not emotionally based. It includes the same pro-egalitarian fear of unsupervised rural local self-government that one finds in the Centre's Planning Commission. For the time being at least, the reluctance may be quite warranted.

But warranted or not, in many secretariat people the reluctance is there. On the other hand, in others it is not — at least by their own testimony, especially where the official posture of the state government is strongly pro-decentralisation, as in Maharashtra and Gujarat. At the same time, those civilians, e g, in planning and rural development departments, who have become devoted to downward delegation offer no assurance that all of their colleagues in other departments of the same governments have fallen into line. Even in the pro-decentralisation states one senses that agriculture, education, health, and other functional officials still are loath to pass down to the locals broad authority to make choices even within their respective programmes, let alone between them.

All in all, therefore, intrastate delegation is likely for a long time to move slowly and erratically. It will vary greatly from state to state. There are apt to be differential experiments within particular states. But those further downward delegations that do occur are more likely to be state than Central initiatives. Their scope and shape will depend, for one thing, upon the apparent readiness of the local government structure for receiving more responsibility (in Tamil Nadu, for example, the absence of district-level development organisation is inhibiting; it is difficult for state officials to maintain a view of what is going on in some 360 taluka panchayats). But, more generally, what happens, state by state, will reflect the texture and the temper of state politics.

Delegating Sideways

A logical companion theme to decentralisation is that of pluralism. Just as decentralisation involves delegation downward within the politico-administrative structure, so, with respect to certain other issues over which the Central political authority can and/or could exercise ultimate decision, pluralism involves their delegation sideways to agencies which are outside of, or, at least are at some arms-length from, the official hierarchy.

In a mixed economy one may think first of such sideways delegations going to private enterprises. But they can be made also to all manner of other institutions — public-sector firms, co-operatives, labour-management negotiations, development corporations, institutes, public associations and societies. Indeed, thorough-going socialism can be highly pluralistic. The requirement simply is that matters for which the official hierarchy has ultimate responsibility be left to non-official agencies with a considerable measure of autonomy.

Sideways delegations seek to lodge subjects with agencies that have particular expertise on those subjects. Non-official or only quasi-official bodies may have greater capacities for experimenting, innovating, and risk taking than does general government. Their organisational forms and procedures can be more streamlined. And giving them their head vastly diminishes bureaucratic busy work.

As with decentralisation, the problem with collateral dispersions of decision is to assure sufficient coherence and sufficient faithfulness to common purposes. In a nation embarked on pluralism much of the art of government consists in refining systems of social control (the public-policy-conditioned market mechanism is one such, indicative planning is another) that, while preserving scope for dispersed incentives and initiatives, adequately conform fragmentary, self-interested decisions to social purposes.

In my decentralisation-oriented junketing this summer I made no attempt to take a considered view of what is happening just now to Indian pluralism. However, I would be sceptical of the impression of some observers that the nationalisation of the wholesale wheat trade together with a greater alleged affinity for Soviet economic models in the past couple of years indicates a retraction rather than expansion of sideways delegation.

Nationalisation of the wholesale wheat trade appears to have been a desperate measure forced by the government's public-supply dilemma (whose dimensions owed a good deal to the government's own previous miscalculations); in retrospect it is apt to look more like an aberration than a harbinger of things to come. At the national policy level a better harbinger may well turn out to be the work that, in parallel with wheat trade nationalisation, was quietly going on once again to prune some of the accumulated excesses, bric-a-brac, and irrationality out of the industrial control system.

But in any event (it was my cursory impression at midsummer) it was hard to locate harbingers of any kind at the national policy level just now. National economic policy seemed to be at an unprecedented standstill. But meanwhile in the rural area development scene the process of sideways delegation was being widely implemented or proposed — to new community development corporations, to command-area development authorities or associations, to commercial banks, to co-operatives (thriving, rejuvenating, or new), to private firms being drawn to new operations and/or locations, and to various new or newly engaged institutes, centres, and other units of the non-official research and analytical infrastructure.

As we pursue the downward decentralisation theme, therefore, it is necessary to remember that India, especially in the countryside, is indeed a pluralistic system and becoming more so. Probably this too is the trend of all very large systems. In them, more than in smaller collectives, up and down the official hierarchy there is need to share power and decision collaterally out of sheer bureaucratic self-defense. And in some respects, at least, a very large national system has greater scope for such sideways delegation: some of its collateral, non-official self-adjusting control mechanisms tend to be superior; this is notably the case, for example, with the market mechanism, where a larger common market, articulating the interactions of larger numbers of sellers and buyers, is an inherently better, socially more efficient market.

But in any event, the sideways proliferation is there — now more than ever and in prospect more than now. The issue, at local as well as higher levels, of how to co-ordinate the great variety of quasi-official and non-official actors with the official actors is obvious to many of the people I encountered this summer, and I shall return to it at the end of these notes.

Decentralisation and Equity

The idea that there may be an inherent conflict between two of the developing world's currently most prominent reform themes — one, the need to decentralise, "engage the locals", and promote grass-roots democracy, the other, the need to do better on the equity front, to attack mass poverty and unemployment — still is a comparatively novel proposition in international development circles outside India. Kuznets, Adelman and others have cited economic reasons why (absent effective countervailing policies) income distribution tends to worsen for a time as economies develop.[1] But it has been less widely recognised that this dip in the income-distribution path also can be accentuated by political factors — if, simultaneously, political power is being shifted downward to local self-government. For it is in local jurisdictions, at least in the countryside, that traditional, grossly unequal, status structures are likely to be least disturbed and, therefore, most callous in their treatment of the low-end poor.

India is far advanced in its perception of this problem. This was one of the firmer conclusions from my summer travels. Far from being the esoteric insight of a few social scientists, the probable conflict between decentralisation and equity is emphatically recognised by most of the state officials, planning board members, and politicians with whom I talked. They think it applies in most Indian states presently — with the probable exception of Kerala, where apparently there has been enough cumulative incidence of localised radical politics to leave the power of most rural elites permanently disrupted and diminished.

The question is what to do about the conflict. As between decentralisation and equity, most of my conversationalists assign the higher priority in equity. Therefore for some — particularly, as indicated, for some of the best, most-equity-minded state officials — the answer is straightforward: go slow on decentralisation. Others (among them, one or two of the most interesting state politicians I met) are less willing to hold back on the decentralisation front. They are convinced that the Indian countryside never can attain the development dynamic it requires without a much more reliable, sustained engagement of local energies; or they sense the necessity to escape the bureaucratic cumbersomeness of centrism (including state-by-state centrism); or they have an abiding philosophical preference for government by the people — from the bottom up. For some combination of these reasons, they are urgently groping, therefore, for reconciling solutions to the equity-decentralisation problem. There appear to be several possibilities.

First, as already noted, there is the Planning Commission's minimum-needs approach. Actually the latter would be one prong of what I would see, so far as centralisation-decentralisation arrangements are concerned, as a deliberately bifurcated anti-poverty (pro-equity) effort. On the one hand, programmes to generate labour-intensive employment would be consigned to as decentralised a regime as that for which political consent can be mustered — and therefore, while gaining the advantages of decentralisation, would be exposed to the risk of elitist dominance in many unreconstructed local polities. On the one hand, certain basic components of the welfare of the poorest and weakest sections of the population — a few discrete components such as drinking water, primary schooling, and access to minimal health services that are at once important, items of public rather than private consumption, and within the present financial capabilities of government — would be guaranteed by a regime of highly centralised categorical grants upon whose administration little local discretion would be allowed to intrude.

As far as it goes, this is an attractive response to the anti-egalitarian dangers of decentralisation. But it does not go very far. There are practical constraints on how many categories of minimum need can be met *via* public consumption, and there are fiscal constraints on how much public consumption the Centre can support. Some of the activities selected for (centralised) minimum-needs treatment would, save for the danger of elitist distortion, be particularly well adapted to local (i e, decentralised) decision and implementation. Moreover some states, of which Tamil Nadu and Kerala are two, find that the particular nationwide minimum-needs norms the Centre is projecting for the Fifth Five-Year Plan offer their poorest groups little or no anti-egalitarian insurance at all. For in their cases those particular educational, health, electrification, and other minimum standards already have been almost universally achieved. Yet the low-end poor in these states are still disadvantaged and will in no sense be content to mark time during the years next ahead while the rest of the country catches up.

A second answer that one encounters to the decentralisation-equity conflict holds out the hope that minimum-needs-type offsets to the conflict should not be required for more than an interim period. This second is what I would call, simply, the "tough-it-out" solution: Whatever their histories, rural status structures and elites (it is argued) are not inviolate. Not only is it true that they do change and are displaced from time to time; the constitutional machinery for their widespread displacement is fully in place. The disadvantaged groups and the poor are enfranchised. They have the legal capacity to participate in local self-governing processes, and the reason they have participated so little to date is not only a matter of traditional inhibitions and constraints; in large part it is because the powers, resources, and discretion of local self-government have been so limited. The stakes have been too small to induce the poor to pay the costs of rivalling effectively for a role in local politics. It has been easier to leave such things to those worthies who always have handled them.

The only real answer (this argument continues) is to put a greater burden on the system: Pass major power to the local level; let it be subject to

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some elitist abuse; but let the non-participating poor thereby observe that their local ballots have become valuable — and begin to bestir and organise themselves accordingly.

For any true constitutional democrat this has to be the ultimate answer to the decentralisation-equity dilemma. But for the near term, absent more indication of the probable reaction time of the system to the proposed challenge and, therefore, of the bredth of the wilderness through which this strategy would force the poor to pass, the strategy sounds disagreeably austere — if not downright elitist.

My summer conversations suggest that reliable and generalisable information about the politics of Indian rural poverty remains highly elusive. What are the indications, if any, that disadvantaged groups — harijans, tribals, landless labourers — are developing greater political self-consciousness, voice, and muscle? What data of some representativeness and cogency could be marshalled to test for greater independence and assertiveness in personal behaviour? What time dimensions can be placed on whatever trends may be evident? Is there evidence, other than anecdotal, of grass-roots responses to *garibi hatao*? In particular (bearing more directly on the challenge-and-response hypothesis) in the two states, Maharashtra and Gujarat, where *panchayati raj* has been endowed with greater power and responsibility, are there signs that the low-end poor are beginning to compete more actively for local political participation than they do elsewhere or than they did formerly in those states?

These are questions that Indian political and behavioural scientists and survey-research specialists should be urgently and systematically investigating, it seems to me. At the moment, if my few conversations are any measure of the matter, some of the better political scientists and many state officials are highly sceptical of the empirical assumptions underlying the "tough-it-out" solution, while some politicians are staunchly faithful to it. For his part, the foreign tourist, while reluctant to abandon the classical constitutional-democratic answer, finds reason to look around for other answers that, like the Planning Commission's minimum-needs scheme, can supplement and reinforce it.

One such supplemental possibility (I was somehow more forcefully reminded on this summer's visit to the Kaira District Dairy Co-operative at Anand than on several earlier visits to that place) is for the poor to mobilise into economic ventures of sufficient scale and success so that they not only raise the economic well-being of their constituents but become a wedge (albeit a surrogate wedge) for injecting the interests of the latter into local, state, and even national politics. The Amul Dairy operation is owned by some 280,000 mostly very small people, many of them women, one-quarter of the total being landless labourers. Probably an organisational analyst would not find many of the initiatives in the enterprise flowing from the bottom up; on the contrary, Amul's secret has been very strong — and strong-minded — leadership. But that leadership identifies with the Co-operative's majority of small members and they with it; indeed they have vehemently resisted experimental ploys that elitists of the region have attempted now and then to move in on the management of the enterprise. And the fact is that a couple of lakhs of little people in the Anand area now have themselves one of the 30 largest corporations of India. It is commercially aggressive and successful, throws its weight around shrewdly and to their general benefit, and undoubtedly (even though it eschews formal political involvements) has altered the political power balance in the region.

As is so often the case with promising organisational innovations in India, it is not at all clear to what extent the Anand model is reproducible — although it has been copied elsewhere in Gujarat and although, under "Operation Flood", Anand's chief, V Kurien, is engaged in propagating the model in other metropolitan milk markets right now. To serve the political purpose suggested, such ventures not only must have memberships restricted to or dominated by the poor; they must have a product that is capable of competitive production by individual units of very small scale. They must have economically effective access to markets large enough to support a sufficiently large collective enterprise to develop some political weight as well as profitability. And — maybe most elusive, although about this I would not be too pessimistic — they must have managements not only exceptionally venturesome and skilful but ready to devote themselves to the service of the poor for financially non-competitive rewards.

The formula, at any rate, is worth more widespread promotion — as, indeed, the Government of India, in its Small Farmers and Marginal Farmers programmes, would appear to be doing, if one imputes a fairly subtle political, and not just a welfare, strategy to those programmes. But if the latter in fact are meant to serve as one answer to the anti-egalitarian political backlash of decentralisation, it not only will be necessary to hold candidate ventures up to bolder, higher standards of prospective economic performance than I gather has been the practice thus far; it will be necessary much more reliably to establish their autonomy from government itself.

This last point — about the length of the arm at which economic ventures of the poor must be held from the official hierarchy if such ventures are to serve as an effective counterpoise for the poor in the local political power balance — is one about which Kurien himself is correctly adamant. The tragic thing is that over so much of India the most obvious and appropriate organisational format for such ventures, namely, that of the producers co-operative, has become so discredited. Somehow, if this strategy for reconciling decentralisation with equity is to be exploited adequately, the proposition that producers co-operatives do not need to become vehicles for genteel rural corruption and elitist self-service must be rehabilitated.

In some of my conversations in South India the point was made that another form of response to the decentralisation-versus-equity dilemma may be represented by the aggressive mass tactics of the landless labourers of Tanjore District and the already-mentioned radicalised local politics of Kerala. Whereas the Anand model organises the poor economically and thereby develops a counterweight that offsets their lingering political importance in local councils, the radical Southern (and, I suppose one should add, Bengali) formula is to organise the economically disadvantaged for direct political action. Indeed it may be argued that such ventures represent nothing but the leading edge of what I have called the classical democratic solution to the dilemma: If what is needed is for the poor to "tough-it-out", then burning their exploiters alive should be tough enough.

The issue, of course, it one of means. The whole equity-decentralisation dilemma arises under assumptions of generally constitutional, orderly, lawful procedures. Egregious resorts to violence overstep those boundaries, and to almost all of my summer discussants

are unacceptable. But there is this point to be gleaned from the Southern radical cases: policy makers who are genuinely concerned about equity and who, at the same time, accept the necessity of decentralisation must also be prepared to accept a high measure of turbulence and bitterness in local politics. Most of the rural elites are not going to give up their traditional privileges easily. The question is whether, under constitutional procedures, they can be shaken loose at all. If things go well a good deal of shaking is inevitable — and to be welcomed.

Finally, as to the reconciliation of equity with decentralisation, the summer further persuaded me that a good part of the answer must involve improvements in the incomes of the rural poor that are engineered from the top down, that do not wait for the poor to achieve effective local political participation but instead serve to strengthen the economic base from which greater political assertiveness will subsequently emerge.

It is in this context that the relationship between decentralisation and public works arises, for as many writers, I among them, have argued elsewhere, substantial additive public construction activity must constitute a very large part of any promising attack that a country like India makes on rural poverty.[2] Along lines indicated, there is a strong case for committing such additive, labour-intensive public works to as decentralised a regime as promises to be workable and politically feasible.

This would mean that the local (say, the district) level should exercise responsibility for choosing, designing, implementing (and, I would add, partially funding) most or all of those public construction projects for which it is equipped with adequate expertise, for which there is strong local desire, which have acceptable benefit-cost characteristics, for which local labour is available, and which are manageable on a relatively small local scale. The last consideration, for example, probably would rule out residual employment schemes on which workers may work any day they happen to turn up. On a localised scale this injects so much unpredictability into the operation as to make the achievement of community-satisfying results extremely difficult. Such programmes, as well as those (e g, national highway maintenance and building) whose scope clearly extends beyond the local jurisdiction, should be initiated and administered at higher levels.

But a great part of the additive construction activity would be highly localised and, therefore, in its decision making, subject to the elitist skewing of existing rural politics. However, it nevertheless normally would be the case (and this could be reinforced by Central or state standards requiring that minimum fractions of project costs be devoted to unskilled wages) that the employment and direct income benefits of the activity would flow disproportionately to the poor. For it is they, except under drought-relief circumstances, who would have most of the time for and interest in such work.

Moreover, there is this crucial point: If, as various studies and some recent public-works experience seem to suggest, the surpluses of labour freely and willingly available for such work are fairly thin in many parts of India — if, therefore, rural unskilled labour supplies are fairly inelastic — much of the benefit that such additive activity will deliver to the poor is the substantial upward pressure that it will generate on agricultural and other unskilled wages in the regional labour markets where the additional construction occurs.

In terms of the decentralisation-equity issue, therefore, a decentralised works programme would, in its first round, leave the disadvantaged groups short on participation in project choice but long on economic benefits, directly and indirectly provided. And the latter, in turn, should strengthen their capacities for an expanding role in an increasingly egalitarian local polity.

Decentralisation and Finance

The summer left me only further persuaded that the strongest direct constraint on new rural area development initiatives, as on development efforts in general, remains that of resources.[3] The relationship between finance and decentralisation cuts two ways.

On the one hand, there is a strong persuasion among Indian rural-development students and practitioners that genuine decentralisation cannot occur unless the lower jurisdictions also assume responsibility for raising more of their own resources. The point is made most commonly with respect to decentralised planning, the topic to which we shall turn next. As long as local jurisdictions are so financially dependent on grants and loans from above, so-called district or block-level planning, it is argued, simply becomes a matter of writing shopping lists. Local authorities itemise their wishes for state and/or Central funding without making any of the hard allocative choices of which real planning inherently consists.

Logically, this argument proves too much. Organisations *can* be funded from outside and still plan or budget responsibly. Government financed universities are one set of examples. What is required is that the total available funding be limited and that limit be known to the grantee, which is then left free to make its choices within that constraint. However, the gist of the present Indian persuasion that decentralisation of decision and further decentralisation of financial responsibility are necessary concomitants probably is right — for two reasons. First, if the locals are to have more of the decision-making action, it will indeed improve the quality and reliability of their choices, and of their management, if they are required to raise and risk significant quantities of their own resources. Second, the total quantum of resources needed for rural development is almost sure to fall short unless more funds are raised from the countryside itself; and the best chance of doing this probably is *via* local authorities and institutions that are challenged to dig up more of the funding for their own discretionary purposes.

The latter is the sense in which the relationship between decentralisation and finance cuts two ways. On the one hand, decentralised financing is viewed as a necessary condition for healthy politico-administration decentralisation. But on the other hand, it may be that nothing but fairly radical politico-administrative decentralisation can create the incentives for the incremental resource raising upon which expanded rural development and anti-poverty efforts depend.

In the summer of 1973 it was hard to take other than a bleak view of the financial prospects. Last year's Committee on Agricultural Income and Wealth Taxation, aside from its now already-implemented proposal that agricultural and non-agricultural incomes be bracketed for purposes of assessing the Centre's non-agricultural income tax, had offered only one recommendation — for an agricultural holding tax. This would require state-by-state implementation; at most it would promise very modest yields; and among all the states, I was told, only Himachal Pradesh showed signs of adopting it. The Centre seemed to be out of fresh ideas for raising additional resources from successful cultivators. One state government I visited was preparing to ask the Planning Commission for nearly double the Fifth-Plan allocation that the Commission had tentatively indicated could be provided. The state's secretaries, eloquent in defending their need for all they were asking, were equally eloquent in explaining why, if their claim failed, the state could not make up the difference: it already, for example, had raised farmers' electricity and water rates to uncomfortably high levels *vis-a-vis* its neighbours.

India, it is only fair to note, has quite an admirable record of domestic resource mobilisation. Relative to its income level it has done better than most developing countries. But if it would pursue its present rural development initiatives and make inroads on mass poverty and unemployment, it must do better still on the resource mobilisation front — especially with regard to the more prosperous farmers. As an only quasi-informed outsider, I am still not convinced that something more radical in this regard is not possible at the Central level (for example, a substantial in-kind production levy on foodgrains producers that would be coupled with generous support prices, would meet the supply requirements of the government's subsidised food-distribution programme, would be legally and constitutionally analogous to the present production levy on sugar growers, would, however, be graduated in the manner of the Raj Committee's proposed agricultural holdings tax, but would contribute several times the budgetary resources envisaged for the latter). Nor, certainly, is there much doubt that most state governments, if they can muster the political will and courage, are capable of collecting more direct taxes and user charges from agriculture.

But, as has been suggested, the decisive increment of resources probably must come from local resources and *via* local institutions that gather them for their own disposition. In this regard there are some stirrings. Financial institutions reaching into countryside — notably, the nationalised commercial banks — are rapidly expanding their collection of private savings; these can be channelled increasingly into local investments. Among wholly localised self-financing initiatives, one of the most ingenious and promising is the Land Labour Co-operative Development Bank recently experimentally launched in Ernakulum District of Kerala.[4]

However, such undertakings represent only an important first step in an adequate programme of decentralised development finance. They extend only to self-liquidating projects, i e, ones whose private benefits are expected to make them profitable and where, therefore, their private or entrepreneurial beneficiaries can be made to bear the costs. A full regime of local financing must also extend to uses of resources whose *social* benefit-cost characteristics are attractive but which are not, in the former sense, self-liquidating. A full regime, in short, must also provide expanded local taxation. Here, it would appear, the stirrings still are meagre indeed.

The conceptual formula, most of my summer conversationalists agreed, presumably should be that of Centre and/or state matching grants whereunder local self-governing units not only would be pressed and (*via* bestowal of broader taxing powers) authorised to gather more revenue; they would be rewarded for so doing. Moreover, if one were to judge solely by the relative responses that *panchayati raj* units have made to such inducements in states like Maharashtra and Tamil Nadu, where they have been authorised to and rewarded for levying surcharges atop their land revenue, one would be very optimistic about the matching-grants elasticity of local tax effort.

However, the whole quantitative scale of land revenue — indeed, the scale of all present local rural taxation — is too trivial to support any predictions. The fact is that no one knows what, under conditions of politico-administrative decentralisation, local taxing propensities will be. It is time the nation began seriously to find out.

Decentralised Planning

Perhaps I owe the reader an apology for only now reaching the topic that was supposed, more than any other, to be the focus of these comments. But for an Indian audience the subject of planning usually deserves a long preface. There is too much tendency to treat it as an end in itself. People speak often of "planning and development" as if, somehow, they were co-ordinate functions. This, of course, they are not. Governments plan *for* development. Planning is instrumental. It is only one, albeit a fairly strategic one, of a variety of inputs to the development process. So with decentralised planning. It has meaning only in whatever more generalised context of decentralised decision making the system is evolving.

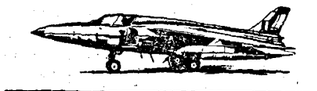
Much of what currently passes for decentralised planning is bogus. Indeed, to narrow the subject down to genuine decentralised planning, I would pare away three misplaced uses of the term.

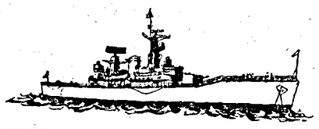
In the first place — and this point is largely semantic — in a governmental context, it makes good sense to restrict "planning" as a differentiated organisational concept to activity performed by specialised personnel. In other words, "planning" implies planners. Advocacy of this narrow usage will get you a quick argument: District collectors, block development officers, even VLWs and village panchayats, it is insisted, all have to "plan," whether or not they have any specialised planning staffs. Of course they do, but in that sense, so do I when I order my breakfast the night before. Generically, planning is nothing but forehanded decision-making; everyone plans much of the time. But if the term "planning" is to describe a specialised and institutionalised function of government, it had better be restricted to thinking ahead that is assisted by personnel specialised to that purpose. It is in this sense only — not because I think villages or development blocks should not make plans, only because I cannot imagine specialised planning expertise being lodged any time soon in all or, even, a very large fraction of the 5,000 blocks of India — that I doubt that planning can be decentralised below the district level.

Second, as has been noted already, much so-called decentralised planning is bogus in the shopping-list sense. It involves simply the assembly, for districts, blocks, or other local jurisdictions, of arrays of desired projects without regard to resource constraints. Genuine planning always involves the recommendation of choices.

The third kind of bogus decentralised planning in one respect is a counterpart of the second, for if district planners, for example, must recommend choices, it is equally true that the district decision-makers whom they advise must have the discretion to *make* choices. Under the third kind of bogus decentralised planning they do not. Planning *for* the district is not done *by* the district; it is done from above at the state and/or Central levels, where the decision-making discretion is retained. Plainly there is nothing wrong with a Central plan being broken down

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into geographic detail by states (just as for other purposes it is broken down into industrial sectors) or with a state plan being detailed by districts. But these exercises should not be confused with what deserves to be called state planning, in the first case, or district planning, in the second.

In sequence, during their respective memberships on the Planning Commission,[5] Professors Gadgil and Chakravarty have developed the theory of decentralised planning around the propositions that different functions and/or kinds of problems have different appropriate levels of decision and that issues should be decided at the lowest appropriate level. I shall not expand here on the problem of allotting subjects to their proper levels. Nearly all of the relevant considerations are captured in the economist's concept of "externalities." The Gadgil-Chakravarty rule would be that activities should be planned in the smallest jurisdiction at which there are no substantial spillover effects (good or bad, either direct or indirect) on territory and population outside the jurisdiction.

One requirement for decentralised planning obviously is to get the allotment of functions by levels straight. On average, if the proponents of decentralisation are correct, there is scope and need in India to shift the allotment downward. But there also are contrary cases, of which (I have mentioned in passing once already) electric power generation and transmission seems to be an outstanding example, where the present pattern of planning and decision-making needs some centralising.

What increasingly intrigued me in my conversations this summer, however, are the interlevel relationships that would prevail even if and when these interlevel assignments of functions have all been straightened out. The key point is a very simple one. Centre-level, state-level, and district-level activities all would intermingle in the same districts — because, of course, the only territory, other than municipalities, in which any-level activities can occur is that of the districts. As someone or other has written or said already, the economic tableau of a district will resemble a marbled cake, containing a number of things which are district-planned but many which are not.

All the research institutions, analysts, and outside agencies undertaking rural area development studies or consultancies are one group who will do well to keep this local intermingling of both local and non-local activities pointedly in mind. For not only are different decision-making levels involved; different, sometimes conflicting, objectives are at stake. A group at the G B Pant Agricultural University, for example, is undertaking a project to study the possibilities and processes of integrated area development in a section of the Ramganga Catchment Basin. But with whom, as action-oriented researchers, should the professors identify — with the hills people with whom they are working, or with the people of the UP and India downstream from the Ramganga Dam? Should one try to build up goat herds to augment scanty local incomes or diminish them in behalf of soil conservation and anti-silting? Rural area researchers need to know their clients.

The intermingling of Centre, state, and district subjects has even plainer implications for those who would be expected actually to do lower-level planning on an on-going basis. The lower-level planner by no means can be impervious to the impact that higher-level or larger-orbit activity will be having in his territory. He will want to find out all he can about intrusions from above and will welcome the assistance of planning colleagues in higher jurisdictions in this regard. Insofar as local government chooses (or is politically forced) to take a comprehensive interest in the welfare of its constituents, the local planner and his local principals may also seek assurance of certain "higher-level" supplies (e g, electric power, fertiliser); and the locals may seek to induce larger-orbit activities (e g, Central-government enterprises in the case of states, state institutions and/or state and private industries in the case of districts) to locate in their jurisdictions for the sake of the local employment, income, taxation, and other benefits. But if one is speaking of *action* plans, the lower the level of planning, the less complete — the more partial — the planning necessarily will be.

There is another — economic — way of making much the same point that has clearer methodological implications. The economy that is planned at the national level is something approaching a closed system. Imports and exports together constitute a relatively modest exception to this hypothesis. Most inputs are outputs from somewhere else in the country itself and therefore are subject to planning influence if not control. Moreover, to the extent that it is even physically and/or politically feasible to resort to extra imports to correct errors or oversights in domestic planning (as it generally is not, for example, in the cases of internal transport, electrical generation, and skilled manpower) this can be quickly and gravely disruptive on the foreign-exchange front.

At the national level, therefore, there is a maximum case for comprehensive planning that reckons and articulates the linkages that close the system — all of the interindustry and intersectoral interdependencies. At the state level the case for this *type* of planning is a good deal weaker, and at the district level it is far weaker still. A methodology that treats India almost as an island is useful; employing the same techniques for Tamil Nadu badly stretches reality; to do so for Ludhiana would be downright silly. At the district level most of the linkages simply are not very important, because the system is so much more open; imports into and exports from the district are far higher relative to district output and income; and the chances that the market will bridge planning errors and oversights benignly are many times better than they are for India collectively. While I have by no means figured out all of the specifics that this view of things implies for decentralised planning methodology and data needs, I am sure that requirements become more modest as one descends the hierarchy — and that, as a limiting case, district input-output tables would be as futile as they would be difficult to contrive.

There was some indication in my rounds this summer that, in state planning circles, thinking has begun to shape along the lines just sketched. It did not start out that way when, in response to the Planning Commission's encouragement, the new push for state and (more hypothetically) for district planning began in 1972. Partly because of the source of the initiative, there was an initial tendency to think that what was being called for was the establishment, first at the state level, and then subsequently at the district level, of agencies that in miniaturised fashion would do the same things in the same kinds of way the Planning Commission does at the national level. The image was of what might be called mini-macro planning.

However, at the state level second thoughts have begun to accrue. Having projected a full array of national-style plan models for their state, the professionally sophisticated members

of the Tamil Nadu state planning board now have begun thoughtfully to differentiate their function and priorities from those of the national Planning Commission. Like the government of Karnataka (which is particularly adamant on the point) they now emphasise the importance, for state planning purposes, of concentrating on a few key sectors. In Gujarat, the Sardar Patel Institute of Economic and Social Research, clearly one of the strongest concentrations of quantitative applied economics analytical talent in the country, is with praiseworthy candour now in a sense challenging its own stock in trade: It is reporting that its studies show that the intradistrict and intrastate economic linkages upon which much of its closed-system hypothetical planning techniques had been premised are much weaker than had been expected — and it is shifting some of its energies to simpler, more serviceable techniques and to other regional planning issues. The new Centre for Development Studies in Trivandrum, with ready access to Kerala state planning, explicitly eschews the mini-macro format. It intends to concentrate for some time on micro studies of a variety of phenomena within the state, then gradually to experiment with new methodologies and models built on a fresh empirical base.

Fortunately from a methodological viewpoint, the projection of mini-macro planning to the district level is still almost entirely talk — unimplemented. For, as far as I could gather, very little of what is defined above as "genuine" district planning (by specialised district personnel) has yet begun. Karnataka has experimented with one quick round of planning by three-man district teams for which its new Institute for Social and Economic Change provided interesting training. But by and large serious district-level planning lies in the future.

As has been emphasised above, the first requirement for making real district planning operative is the biggest: It must be preceded by or coupled with genuine intrastate decentralisation of decision; otherwise localised planning will remain play acting. Part and parcel with this delegation downward, it must be decided which subjects and functions — selected, for example, from such possibilities as primary education, health, nutrition, rural roads, minor irrigation, aspects of the district's spatial or settlement or Centre-building policy, local public works — can appropriately be left to district-level determination.

With this much settled, one could begin to imagine the texture of the district planning function. The choice of subjects would largely define the the kinds of expertise district planning cells would require. Methodologically, I would make two guesses. First, the single most valuable and generally useful skill for district planners (and one that would afford them professional rapport up the hierarchy, with their counterparts as at the state and Central levels) would be that of close analytical project evaluation. Second, beyond this, however, a rather ironic guess from an economist's viewpoint: When the word "planning" is used professionally there always is the potentiality for confusion about whether the reference is to what economists do, most typically at the national level, or to what town and country planners do, most familiarly at the local urban level. When and if professionalised Indian (rural) district planning finally shakes down, it is likely to draw rather more on the latter than the former.

I would add just two final words on decentralised planning *circa* summer 1973. In the first place, while decentralised planning is not going anywhere in a hurry, this is not because subject is intellectually or even institutionally inert. Cogen, insightful thinking about it is going on in state governments, in their planning boards and commissions, and in a variety of regional research, analysis, and training institutions, which, I shall be noting later, have important network-making roles to play in the rural area development scene. In several states, at least, the decentralised planning function stands ready to evolve as fast as the politicians and bureaucrats decide they are serious about decentralisation *per se*. But planning cannot leapfrog that decision.

In the second place and related to the first point: The probable thing and, under present political circumstances, the healthy thing will be for state planning and for district planning within the several states to grow in various patterns and at various paces. Of necessity, the Centre will be concerned to deal even-handedly with the states, and it may contrive inducements to laggards to move in desired directions. But it would be a great pity if in this field the Centre became a devotee of uniformity for uniformity's sake and attempted — somewhat in the manner of Community Development's propagation in the fifties — to mandate a single decentralised planning model in accordance with a single set of Central guidelines. The political realities are otherwise, and, that being so, there is much that can be learned from a variety of experiments.

Settlements Policy

There is much that could be said, of course, including some that I have said elsewhere myself, about the spatial dimensions of rural area development.[6] But the following will be limited to selected comments on rural growth centres.

During the past decade in India the need to develop growth centres in the countryside has been more and more widely accepted. Almost everyone has abandoned the idea that modernising agriculture, let alone rural industrial, commercial and other activities, can remain village-centred. Moreover, with respect to the rest of the hierarchy of settlements or central places, stretching from the village up to the metropolis, particular interest has formed in building foci of growth that, while larger than villages, are close to them and smaller than district towns. To the defensive purpose of staunching the flow of migrants to the cities has been added the positive purpose of providing conducive and symbiotic supporting structure for progressive agriculture. Social scientists have been researching the characteristics of promising rural growth points. Since 1969 the Centre and state governments have been collaborating in an empirically and methodologically sophisticated Growth Centres Project with 20 field locations. Virtually any new Central or state irrigation or other project with a specific area scope is now inclined to factor some kind of settlements strategy into its project design. And many organisations and enterprises newly reaching out into the countryside — notably the commercial banks with their proliferation of branches — are systematically looking for, or are concerned to help establish, activities clusters with high growth potential.

This new conventional wisdom is almost all to the good. But (in this latest travelling I found further reason to think) it does not yet add up to a clear settlements policy, either in concept or implementation.

For one thing there is a confusing overlap between two distinguishable brands of growth-centre thinking. Both start from the agreed, and readily demonstrable, premise that the country, compared with its needs, has a large deficit of properly appointed and developed market towns — i e, of central places in the size ranges between villages and district towns. But then, following the lead of the geographers' central-place theory, Brand No 1 is concerned to identify the whole stratified

array of settlement sizes that ought to be aimed for and to establish, for each level in the central-places hierarchy, the profile of social services, facilities, amenities, etc, that a proper centre of that scale ought to have. Its policy recommendation seems to be, simply, that governments, as quickly as they can, ought to take steps to fill in all the existing gaps under these profiles.

According to Brand No 2 thinking, such policy is not only unrealistic; it undermines the possibility of using growth-centre building as an engine, and not just an aspect, of development. In the aggregate, the present facilities and services deficits in the lower orders of central places are so massive that, under any realistic view of public budgets, it will take many decades to fill them all. Moreover, if the limited resources available for growth-centre building are sprayed around indiscriminately (or equitably) and, therefore thinly, the opportunity to build up critical masses at a relatively few places and let them start generating self-augmenting externalities will be missed. Further still, the natural *political* tendency (even if the natural economic tendency is toward an early clustering of new commercial and industrial locations) is precisely toward the kind of dispersion of facilities that should be avoided. ('You back the location of this new area-wide public facility in my village and I'll support the location of that other one in yours.')

According to this second brand of growth-centre thinking, therefore, the essence of rural settlements strategy should be to discriminate — deliberately for some time to concentrate at a relatively few places all new locations of government-influenced facilities which are to be made in the countryside and whose siting is discretionary. Finally, because the gap of missing growth centres between the district towns and the villages is so large, it probably also, I think, is the implication of this first-things-first approach that the gap more or less should be filled from the top down. That is, in the typical district the next question should be. What two or three or half-a-dozen other places beside the district town should next serve as preferred locations? — this rather than what should be the several favoured growth points within each of the district's 15 development blocks?

Although I make no pretense of being a neutral witness on this subject, it seemed to me that, once the issue was defined, a high proportion of those in and around state governments with whom I discussed it this summer favoured the second of the foregoing approaches. Moreover, as to the question of how one identifies the growth centres that should receive favourable discrimination, there was much sympathy for a rather agnostic diagnosis that can be summarised as follows: First, if one can strip away the parochial prejudices of the sub-jurisdictions, usually there is no great mystery about which two or three or five places should next be brought up in a given area. In other words, scientifically sophisticated investigations of this issue seldom are likely to (and in the case of those on-going, seldom do) come up with findings that would surprise intelligent laymen or officials of the area. Second, in any event, initial errors in this case (other than egregious, initially obvious errors) are not likely to be very critical or lasting from a social policy viewpoint. This is because, if the strategy of selective, concentrated growth-centre promotion works, whatever slight starting disadvantage site A may have compared with site B are likely to be swamped, if site A is selected, by the cumulating advantages, the self-reinforcing externalities, that site A gains as the strategy proceeds. Finally, the whole question of growth-centre choice cannot ultimately be settled by scientific means anyway; the question always is so inherently and nakedly political that it must somehow be resolved through the political process.

This summary would be grossly unfair both to the on-going and to future social-science inputs to this issue, however, if two amendments were not added. In the first place, while much of the current research on growth centring may appear to be focused on the question of centre identification, it is producing a great deal of data — and, more important, a great deal of experience as to the accessibility and importance of different kinds of data — that may contribute vitally to "genuine" district planning if and when the latter starts. One of the pivotal problems facing that activity will be what is the *minimum* bill of data (minimum both in terms of collection and processing) that can serve continuing local planning. Thanks to its very data-collecting and -processing ambitiousness, some of the on-going research, notably of the Growth Centres Project, may, if it focuses intently on the problem of culling the few key and accessible variables, greatly illuminate this issue.

In the second place, even though discriminatory growth-centre choice will remain an inherently political determination, continuing scientific effort may be necessary to catalyse it. For my own part, the summer travels served finally to disabuse me of an hypothesis I have been carrying around for at least half-a-dozen years. Convinced by the argument summarised two paragraphs back, I had been inclined to think that, under a regime of genuine decentralised decision-making, the need to choose a specified small number of places in a district that for a specified number of years would be favoured for discretionary locations (say two to five places other than the district town itself) should, as a local, inherently political issue, be pitched straight at the district council or *zilla parishad*. And a variety of grants and/or other favourable actions by state and Centre should be made contingent upon the council's making this choice. Several telling witnesses this summer persuaded me that, so confronted, the members of a *zilla parishad* would be likely still to be debating when their terms ran out. Because of its very local political sensitivity, in other words, the discriminatory choice of a district's preferred centres probably, after consultation with the locals, will have to come from the state as a *fait accompli*. But even the state bureaucrats, let alone state-level politicians, are unlikely to be able to stand the heat of this choice, or to get the locals to forbear from further debate, without being able to appeal to the findings of dispassionate experts.

Hence the need for access to specialists giving continuing scientific attention to the issue of growth-centre selection.

Articulating the Network

The present complexity of the Indian rural area development scene is mind-boggling. The scene is populated by interpenetrating levels of official activity, by great varieties of public and private enterprises, by many familiar quasi-government, near-government and voluntary-agency institutions, by (as noted with respect to "sideways delegaion") some new kinds of non-official ventures, by various research-cum-action explorers making forays into the countryside, and by a variety of genuinely indigenous local experiments.

Often this summer in struggling to comprehend only fractions of the scene I was reminded of the injunction of a near neighbour of India's once: 'Let 100 flowers bloom.' Rural area development comprises several hundred flowers — or is it a weed patch? What about the ordering problem?

The first thing to be said is that order is not the name of the game.

Mobilising fresh energies, resources, and initiatives is more important than organisational tidiness. Providing more income, employment, and political leverage to the low-end poor is more critical at the margin than maximising the efficiency of resource allocation. Yet the country does have scant room for wasting resources in the aggregate, and it must seek, not only through vertical hierarches but via horizontal decision-making networks, to reconcile dispersed and/or local initiatives with national priorities. So it is appropriate to ask what ordering mechanisms are likely to save rural area development from chaos. In addition to the politico-administrative command structure itself, at least four are in various stages of readiness.

First, there is the market, and this for all of its imperfections and unfashionability with some Indian progressives, is an enormously important machine for effectuating social purpose. Indeed the principle here can be broadened: the chances for constructive cohesion of the rural development scene will be improved to the extent that as many of the actors as possible are both motivated and analytically and informationally equipped to make socially optimising decision. This is precisely why the practice of sound project-evaluation technique is so important not only for district-level planners but for all of the other private, quasi-public, and government agencies involved.

Second, although this may not raise cheers from either economists or state officials: genuine, participatory local government at the district level, with broad responsibilities and in which the area's interest groups are broadly represented, can be an important integrative, conflict resolving force. The integration often will be heated and contentious, and it can be real.

Third, the kinds of fiscal responsibilities and discipline touched upon earlier can have an ordering, clarifying effect. Lower levels of government, by being held to fixed contracts of support from above, can be required to thrash out their own requirements-resources balances. By being left to allocate within these totals and being required to augment them with locally raised resources, they will have their allocative choices sharpened — without, if the subjects delegated to them have been rightly chosen, yielding results inconsistent with national or state purposes. And in the pluralistic local economy, the need of local governments to raise funds from local sources will make for much closer, albeit sometimes adversary, linkages with the other occupants of the local terrain.

Fourth, an aggressive settlement policy, I am convinced, can be a great orderer. By overcoming the present political disposition toward scatteration of official and officially sponsored facilities, it can greatly strengthen the complementarities and positive externalities that knit the local system together and affect its composite pace.

For all of these reasons, therefore, I find no reason to despair that rural area development in India, if the decentralised, pluralistic directions in which it appears to be headed are encouraged further to mature, need become a weed patch. But there is one small, instrumental reform that could be extremely helpful: the provision by someone of a good and all-embracing information clearing house. The actors not only are so numerous, they belong to so many different semi-insulated cultures — official, entrepreneurial, academic, professional-practitioner, voluntary-agency — that it is almost impossible for any one set to keep track of what is going on elsewhere in the field. This assures gaps, duplications, and lost motion that all parties, had they only known, would have wished to avoid. Government agencies (in India as elsewhere) are not very well cast for this information-exchange role. But someone should have a go at it.

Finally, a brief word about those research and academic institutions that are increasingly entering the rural area development scene. Quite plainly there are important roles that such agencies can play, usually in one way or another in collaboration with the state or local governments in their region but the better for being at one or two removes from government. In the case of district planning, for example, such institutes could usefully, on a continuing basis, perform at least three valuable services: advise on data needs and procurement, and on planning methodology; provide training for district planners; and supply systematic selective evaluations of districts' planning and implementation.

The capacities to do such work that already are forming around Indian state capitals — often in clusters of organisationally independent institutions — are quite impressive, and so is the effort of some state governments to promote the development of such analytical infrastructure. In a number of cases divisions of labour will need to be worked out. There is need for better communications among the institutions, especially between different disciplinary and cultural sets (e g, between town planners and economic planners, agricultural economists and other economists, engineers and sociologists). There is particular need for the weaker institutions, as is so often the academic tendency, not to let themselves get defensively cut off from what is going on in the mainstreams of research nationally and internationally. In short, there is need for some good research networking as a special case of the more general net-working the field requires.

But it was a pleasure this summer to see the zest and confidence with which regional research institutions were tackling regional problems. The old compulsion whereunder the regional institutes in order to prove their credentials had to tackle national problems seemed happily to have abated. The marshalling of research capacities is not likely to be the principal bottleneck impeding bolder pursuit of rural area development initiatives.

Notes

1 S Kuznets, "Quantitative Aspects of the Economic Growth of Nations: VII Distribution of Income by Size", *Economic Development and Cultural Change*, January 1963, Part 2; I Adelman and C T Morris, "An Anatomy of Income Distribution Patterns in Developing Nations", International Bank of Reconstruction and Development, Economic Staff Working Paper No 116 (Washington: 1971).

2 J P Lewis, "The Public Works Approach to Low-end Poverty Problems: The New Potentialities of an Old Answer", *Journal of Development Planning*, No 5, United Nations, 1972, pp 85-114.

3 The operative word is "direct". It is still true that whatever is, in the fullest sense, physically feasible in terms of private and public purposes and real resource availabilities can also, in principle, be financed. Finance is no more than an organisational or mediational issue. But as a practical matter it often is implacably difficult.

4 S Krishnakumar (District Collector, Ernakulum), "Scheme for Massive Employment Campaign Through Labour cum Development Banks in Rural Areas", a preliminary paper for discussion; including an Annexure: K N Rai, "Employment Creation Through a Labour and Development Bank: A Preliminary Note", February 1972.

5 And in Gadgil's case also before his membership: D R Gadgil, "District Development Planning", R R Kale Memorial Lecture, 1966. Gokhale Institute of Politics and Economics, Poona 4; S Chakravarty, "The Planning Process in India: An Appraisal and a Framework", Planning Commission, March 1972.

6 J P Lewis, "Quiet Crisis in India" (1962), Chapter 7, "The Role of the Town in Industrial Location"; also *Journal of Development Planning*, No 5 (1972), pp 111-113.

Village Lease Markets for Agricultural Land

Some Approaches for Analysis

V M Rao

This paper describes an analysis of village-level data on lease transactions.

Viewing these transactions as constituting a market for leased land, the analysis seeks to bring out the features of this market as reflected in the comparative characteristics of lessees and lessors participating in the market and the pattern of inter-relationship among these participants arising from lease transactions.

The results are reported primarily to suggest the utility of the approaches used in analysing the research and policy issues relating to the question of tenancy. However, they could also be of some substantive interest to researchers for the glimpses they provide into the nature of lease transactions prevailing in a sample of villages located in Maharashtra and Gujarat on the eve of the implementation of an important piece of tenancy reform in 1957.

IT has been evident for some time past that the technological change underway in Indian agriculture is leading to a renewed interest among the researchers and policy-makers in the reforms needed in the agrarian structure. After the first round of the post-Independence land reform legislation in the fifties, especially after its evaluation showed little by way of any dramatic impact on production, there was a discernible shift in the emphasis in policy-making from measures for structural reforms to programmes, such as IADP, for overcoming the technological stagnation in agriculture. While the achievements of these programmes so far have been impressive, voices are already being heard that the prevailing agrarian structure, unless substantially reformed, may become an impediment in the way of sustained adoption of technological change by all the strata of farmers. It is not unlikely; therefore, that in the period ahead structural issues like inequality in the distribution of land-ownership and the nature and consequences of landlord-tenant relationship may figure again prominently in the agenda of researchers.

This paper describes an analysis of data on lease-transactions carried out as a part of a recent research project of the Department of Economics, University of Bombay.[1] The purpose is to present the framework used — which differs in some respects from the current modes of analysis of these data — along with a brief indication of the results obtained. It is hoped that the framework would be of some use to researchers having occasion to analyse data on lease transactions; also, the results, though pertaining to a small number of villages located in the ryotwari areas of Western India, could be of interest to them, at least as illustrating the inadequacy of the idea that there is nothing more to lease relationships than exploitation of landless tenants by absentee owners.

We may begin by taking note of the two main features of the framework. The first relates to classification in the analysis of the parties to lease transactions, viz, the lessees and the lessors. It would appear to be a common practice in the analysis of lease transactions to classify the parties according to the size-class of their cultivation holding alone or that of their ownership holding alone. It is our feeling that such a classification while convenient in the analysis in the sense of giving a small number of classes can have the consequence of grouping together parties with possibly dissimilar status and bargaining power in lease transactions. Consider, for example, the category of lessees with small cultivated holdings; in principle, this category can include cultivators ranging all the way from those having no owned land of their own to those with sizeable ownership holdings, an obviously motley group. Hence, it would appear more appropriate to classify the parties into relatively more homogeneous categories based on a simultaneous consideration of ownership size-class and cultivation size-class of each party yielding categories such as small owner-cum-small cultivators, small-owner-cum-large cultivators, etc. Our analysis proceeds in terms of such categories which we indicate by two-letter codes with the first letter showing the ownership size-class and the second showing the cultivation size-class of the parties in each category; the categories obtained in this manner are referred to below as "mixed-code groups" of lessors/lessees.[2]

The second feature of the framework is an intentional emphasis on bringing out the characteristics of inter-relationships among lessors and lessees arising from lease transactions. While the literature of recent years based on rural surveys has provided a useful body of information on leasing in/out of land by owners/cultivators belonging to different size-classes of holding, data seem to be very meagre to answer even a simple question pertaining to inter-relationships such as "who leases in land from whom?" It is possible that the sampling designs employed in large rural surveys — multi-stage, stratified, etc, leading to coverage of small number of families from each surveyed village — make it difficult to piece together such inter-relationships from survey data. It is easy to see that in the absence of such data any interesting features of the inter-relationships — such as, say, small landless tenants obtaining their leased land entirely from large absentee owners — would go unnoticed. Since the data available to us came from a full enumeration of ownership, cultivation and leasing of land in the surveyed villages, it was decided to pay particular attention in the analysis to inter-relationships arising from lease transactions.

The analysis was done village-wise by viewing all the lease transactions pertaining to land within each surveyed village as constituting a lease market. The task was to bring out the features of this market in terms of the mixed-code groups of the lessors and lessees included in it and the inter-relationships among these groups. Twenty-three villages located in three districts — Satara and Kolaba from Maharashtra and Kaira from Gujarat — were covered in the analysis. The results reported here relate to the year 1956-57 and we believe that they are broadly representative of the lease relationships prevailing in the ryotwari areas of the three districts on the eve of the implementation of the Tiller's Day Amendment to The Bombay Tenancy and Agricultural Lands Act in 1957. Section 2, which follows, describes the characteristics of the lessors and lessees functioning in the lease markets and

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— PEOPLE & PLACES — BUSINESS & PLEASURE — LAND & AIR — NEWS & VIEWS —

SKYLAND EXPRESS
& ALPINE ADVERTISER

IN THIS ISSUE.....

- Fans' Corner
- Music to our ears
- Putting yourself on ice
- New one-stop hop

GLACIER LANDINGS JOIN BOBSLEDDING AS ALPINE SPORT THRILL

SION (Valais)—An organization here offers year-round courses in glacier and mountain-top landing for licensed amateur pilots. Bookings may be made through the airline of the Alps* (no monopolist at heart).

At one time the glacier over the present site of this historic Rhone valley town was almost 1.6 km thick, and extended 80 km northwest to the Jura mountains.

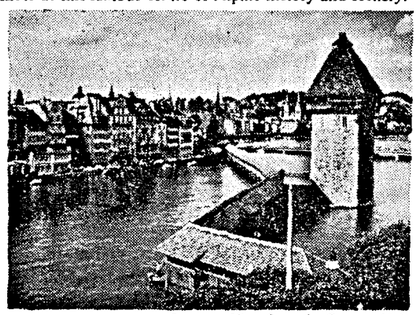


Swiss glaciers now cover about 2000 square km; the Aletsch Glacier, with 168 square km, is one of Europe's biggest.

Perhaps naturally, it was a Swiss engineer, Ignaz Venetz-Sitten by name, who first propounded the theory of the Ice Ages, in 1829. The great Swiss naturalist Louis Agassiz carried the idea around the world against vigorous scientific opposition.

From A to Y: The Sound of Music in the Alps

LUCERNE—The rich musical life of the Alps is typified by the International Festival weeks held annually in August and September at this famous centre of Alpine history and scenery.



Lucerne. View from the Concert Hall.

Further events appear in a colour brochure called *Alpine Highlife Cultural Programs* — a publication no traveller to Europe should miss reading.

Alphabetically, A–Y, some other specimens.

Alpenhorn/Appenzell. You can take lessons in playing these instruments (some are 6 metres long) at the above town.



Bell-ringers, Swiss. Cows; and "every herdsman has a harmonious set of at least two or three bells chiming in" on the famous alpenhorn tunes (*Encyclopaedia Britannica, 1801*).



DC-10-30. See Fans' Corner:

8 programmes available on each flight.

Honegger, Arthur (1892–1956) worked in Paris, but was as Swiss as his name.

Ranz-des-vaches. "One of the melodies or signals of the Swiss herdsmen, commonly played on the alpenhorn." The bands of Swiss regiments in foreign services were forbidden to play it. See below, *Yodelling.*

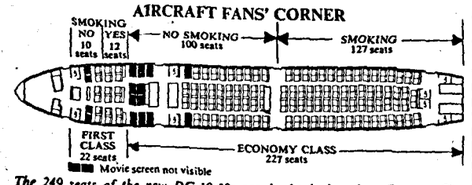
Salzburg. Summer Festival. Mozart, a one-man festival in himself, was born here in a house now a museum.

Yodelling. The very first Swissair hostess could yodel in-flight, but now they are encouraged to do so only in private. Apparently someone was scared by Sir Walter Scott's "I cannot but think... yodelling is a variation upon the tones of a jackass."



(Z. If there is a leading Swiss musician called Zimmermann, *Skyland Express* doesn't want to know it until next time.)

AIRCRAFT FANS' CORNER



The 249 seats of the new DC-10-30s can be booked as in a first-run film theatre. Four seats in First and 24 in Economy are reserved for passengers who find their own thoughts the best entertainment; from these seats the screen is not visible. In Economy Class 100 seats are for non-smokers, 127 for smokers. The plane itself is a non-smoker and non-roarer, thanks to the sophisticated GE jet power plants, whose noise level at takeoff is perhaps half that of earlier types.

NEW YORK: NOW A HOP, SKIP AND JUMP AWAY

Hop to Zurich non-stop by a Friday night DC-10 flight ("Swiss Express", anyone?)...skip into a B747 over there...and jump out at New York airport on Saturday afternoon.

News of this one-stop Bombay–New York flight will pleasantly ruffle the brows of those who aren't too enthusiastic about halting at half-a-dozen places en route.

Interested parties have only to hurry to their friendly neighbourhood Swissair dealer for the lowdown on this new breakthrough.

CONTROVERSY: Best Day to Fly

BOMBAY — A HEATED ARGUMENT was recently overheard between two worthy gentlemen (whose identities, alas, cannot be disclosed) as to which day of the week was most appropriate for flying. One strongly advocated Friday: the other harped on Sunday, as being the day that didn't break a busy working week.

Swissair hastens to elucidate that no unanimous 'best day' exists. To each according to his convenience. And to cater to all, the airline has a flight virtually every day...more than one on most days. In all, 12 flights from Bombay each week...six to the West and six to the East.

* SWISSAIR

Bombay 293535
Calcutta 444643
Madras 82583
Delhi 44237
Ahmedabad 20401
Bangalore 54862

Section 3 discusses the inter-relationships among them.

TYPES OF PARTICIPANTS IN THE LEASE MARKET

The attempt in this section is to show that useful insights into the nature of the lease markets can be obtained by considering the mixed-code status of the lessees and lessors included in them. To see this feature of the market in a simple and direct way, one may ask which mixed-code groups of participants were common being present in a majority of markets studied and which were relatively rare being present only in a small number of markets. To provide a synoptic picture of the lease markets under study from this point of view, Table 1 lists the mixed-code groups of lessors and of lessees which were present in two-thirds or more of the villages covered in the analysis (termed as "Common Groups") as also those which were present in one-third or less of the villages (termed as "Rare Groups").

The following observations on the nature and origins of lease relationships seem very plausible in the light of Table 1. The lessors, evidently, are of three broad types — non-cultivating residents with small holdings (SO), presumably artisans or erstwhile cultivators who have left farming, not necessarily voluntarily, to take up some non-farm activity within the village; small and medium owners who have migrated to urban areas [SO(U), MO(U)]; small or medium resident owners with some cultivation of their own, presumably leasing out plots of land not conveniently located for self-cultivation (SS, MS and MM). It would, thus, appear that the factors giving rise to leasing out of land are the leaving of cultivation by the not-so-affluent and fragmentation of owned holding rather than accumulation of land in the hands of non-cultivators with big or large ownership holdings.[3] On the side of lessees, the feature worth-noting is their marked heterogeneity with respect to ownership of land; the class of lessees is seen to consist of such extreme types as those without any owned land at all as well as those with big ownership holding. It is easy to see that in the light of such heterogeneity within the class of lessees it would hardly be reasonable to characterise the entire class as having weak bargaining power and, hence, susceptible to exploitation in the lease market. This would seem particularly true of groups of lessees like MM and BB.

TABLE 1: COMMON AND RARE GROUPS OF PARTICIPANTS IN LEASE MARKETS

Common Groups (i e Groups present in two-thirds or more of villages covered)							
Lessors :	SO,	SS,	MS,	MM,	SO(U),	MO(U),	NR
Lessees :	OS,	SS,	SM,	MM,	BB	NR	
Rare Groups (i e Groups present in one-third or less of villages covered)							
Lessors :	LO,*	LO(U),	BO,	LS,	LM,	LB	
Lessees :	OB,	OL,	SL,	ML,	BL,	LL	

* Present in no village.
Note: Please see footnote 2 for an explanation of the codes.

We now mention very briefly some further features of the lease market which are discussed more fully in the source referred to in footnote 1. Firstly, the analysis did not reveal any mixed-code group of lessors or of lessees having consistently large share in the leased land from village to village. In fact, very different groups of lessees and of lessors turned up as "First" groups (i e, groups getting the first rank in the listing of mixed-code groups according to their share in leased land) in different villages.[4] Secondly, small tenants with no owned land of their own (group OS) accounted for less than 10 per cent of leased-in land in as many as four-fifths of the village covered in the analysis. Thirdly, there was no evidence to show that the lease markets tend to be monopolistic in nature. While the concentration ratio relating to the size-wise distribution of leased-out land among the lessors had rather high values in the villages covered in the analysis ranging between 0.50 and 0.70, this was also true of the concentration ratio for the leased-in land with its values ranging between 0.40 and 0.60. To judge from the two concentration ratios, the lease market could not be described unambiguously either as monopolistic or as purely competitive.

The picture of lease market emerging from the comments made above should have interesting implications to the researcher as well as to the policy-maker. Since we are treating the data as illustrative, it would be more appropriate to stress here the implications of the picture from the researcher's point of view. In a negative vein, the picture seems to show up the inadequacy of any simple-minded conception that the lease market is a result simply, or even mainly, of a sustained process of alienation of land by owner-cultivators and its concentration in the hands of a small number of non-cultivating rentiers. It is instructive to compare the features of the lease market observed above with what they would have been if the market were simply an outcome of such a process.[5]

More positively, we suggest that it may be worthwhile to investigate further the following presumptions regarding the factors behind the lease market, primarily — though not exclusively — in the region covered in our study. Firstly, while concentration in land-ownership might be increasing over time in the region, it could be that the concentration occurs in the hands of cultivators rather than non-cultivators so that increased concentration does not necessarily and automatically lead to leasing out of the land acquired.[6] In fact, the cultivators acquiring land might even be taking resort to the lease market to extend their cultivated holdings beyond the size reached by acquisition of land through purchase. As regards the cultivators who lose land in the process of increasing concentration in ownership, it could be that some of them get completely pushed out of cultivation and, hence, come to the lease market to lease out the little land that they retain. It is, thus, our hunch that increasing concentration in land-ownership instead of leading to sharply polarised categories of landlords and tenants might actually be operating to make each category heterogeneous within itself; as hinted above, this could be due to the fact that those acquiring land in the process need not all become lessors and those losing land in the process need not all become lessees.

Secondly, there are also possibly other factors which enhance the heterogeneity of the categories within themselves. Two that readily occur to us are: (i) migration of landowners to urban areas resulting in leasing out of their lands, and (ii) fragmentation of owned holdings leading to leasing out of distant plots and leasing in of nearer plots by the cultivators. In both these cases, a lessor need not necessarily be a large non-cultivating owner and a lessee need not necessarily be a tenant with little or no land of his own.

The heterogeneity within the classes of lessors and lessees and the factors possibly causing it, as noted above, provide a relevant and important context for assessing the functioning and consequences of the lease market. In particular, it would suggest that the

participants in the market are likely to vary considerably in their degree of dependence on the market for their livelihood and in their capacity and motivation to impose unfair terms on those with whom they deal. Consequently, it would be an oversimplification, if not an error, to view the lease market as nothing more than an instrument facilitating exploitation of poor tenants by a few rich landlords. In the circumstances, a more appropriate approach on the part of researchers would be to treat the problem of identification and further analysis of exploitation in the lease market as an open research issue rather than as a fact too obvious to need any investigation to discover it.

Inter-Relationships among the Participants

Two approaches were used to study the inter-relationships among the participants in the lease market. The intention of the first approach was to make a rough guess about the extent to which lease transactions tend to be exploitative. In the absence of usable data on terms of tenancy, this was done under the assumption that a transaction is likely to be exploitative if the parties to it — lessor and lessee — differ considerably in status as reflected in their mixed-code groups. Procedurally, a bargaining power score was assigned to each mixed-code and the distribution of leased land according to the difference in the bargaining power of lessor and lessee to each transaction was obtained village-wise.[7] Very briefly, the results showed that in a *majority of villages* the leased land involved in transactions with considerable difference in the bargaining power of the two parties to the transaction formed less than 30 per cent of total leased land in the village. This should provide some further substantiation to the two points made above, *viz*, that exploitative lease transactions may not be typical of the dealings in the lease market and that, hence, research and analytical procedures for detecting exploitation in the lease market would reserve a measure of attention from the researchers. The scheme used in our study could be of some interest from this point of view.

The second approach to studying the inter-relationships among the participants was in the nature of an attempt to see a meaningful pattern in the inter-relationships prevailing in a market as shown by the two-way classification of the lease transactions in a village according to the mixed-code group of lessor and of lessee to each transaction. Such a table would show the *different groups* of lessees with whom a given group of lessors has transactions and *vice versa*. Our attempt to see a pattern in such a table is based on the proposition that it would be interesting to know whether the different mixed-code groups of lessors and of lessees existing in a market can be regarded as being in contact with each other so that the market comprising them can be taken to function as a single entity. By way of an illustration, if it is seen in village that lessee group OS lessor group LO have transactions with each other *exclusively*, i e, there being no transactions between these two groups and other groups of lessors and lessees in the market, one may suspect that the two groups might be existing in relative isolation in the market with the terms and conditions of transactions between them being little influenced by what goes on among the other groups in the market. While such features revealed by a two-way classification would by themselves prove nothing, they could be helpful as clues for further investigation, particularly if certain groups turn up persistently — cross-sectionally or over time — as groups existing in relative isolation from the other groups in the market. We looked at the two-way classifications primarily from this point of view in discerning a pattern in the inter-relationships among the participants in the lease market. Lease markets not showing up any groups existing in relative isolation are referred to in this paper as "integrated" markets.

The procedure used to analyse the two-way classifications of lease transactions from the point of view of integration of the lease market is contained in the Appendix given at the end. In addition to concretising the concept of an integrated market to enable its application in practice, the procedure suggests a few alternative indices to serve as measures of the extent of integration of an integrated market and presents a criterion of distance among the participants in a market for classifying the participants according to the intensity of their contacts with the other participants in the market; the idea underlying the latter criterion is that a participant with higher intensity of contacts in the market might turn out to be one who sets the pace in the market and the criterion would be of help in separating such participants from the other participants in the market. It needs to be mentioned even at some risk of stressing the obvious that the procedure merely brings out certain features of the two-way classification which itself is in the nature of information of most rudimentary kind on the market; these features would be of use in research not as a source of definitive evidence on the lease market but as pieces of information of help in obtaining clues to and in forming hunches about the way the market and some of the participants comprised in it function. The procedure is outlined in some detail in the Appendix in the hope that researchers concerned with market analysis in general might find it of some interest and utility as a simple framework for investigating certain significant aspects of functioning of markets.

The analysis of integration of lease market showed that in twenty-one out of the twenty-three villages studied the lease market was integrated; in all of these villages the extent of integration was found to be high. We take this to mean that it is exceptional for the mixed-code groups of lessors and of lessees comprised in the lease markets in the region of investigation to exist in relative isolation from the other groups in the market. More interestingly, the groups with relatively high intensity of contacts in the market were seen to be SS and SM lessees and SO(U) and NR lessors, i e, excepting the last ambiguous groups, small owners and small and medium owner-cum-tenants. Since this part of our analysis concerned with the integration of lease market is highly tentative, we refrain from drawing any further inferences at this point; the fuller findings are given in the Appendix for the purpose of those interested in their further examination.

Conclusion

The main purpose of this paper has been to describe some approaches used by us in analysing a body of data on lease transactions. Viewing the transactions as constituting a market and reckoning the parties to the transactions in terms of their mixed-code status, these approaches seek to bring out the types of lessors and of lessees functioning in the market and the extent and pattern of contacts among them arising from the transactions. The picture that we obtain seems to depart significantly from what one would expect if the lease market were an outcome only, or even mainly, of a process polarising the rural community into two strata — those owning land without cultivating and those cultivating land without owning — sharply marked out from each other. We have noted some interesting implications of the picture regarding the factors shaping the lease market and the extent to which the transactions in the market might be exploitative in nature. The results are presented primarily to suggest the utility of the approaches used as a framework for analysis and to indicate the kinds of insights they yield; hence, the comments are confined to the common features of the markets studied leaving out the differences among them and the reasons thereof. While they are illustrative being based on a limited sample of villages, the results could still be of some substantive interest to researchers as indicating the lease market prevailing in an important ryotwari region of India prior to its virtual termination through legislation implemented in the late fifties.

Appendix

A Procedure for Analysing the Integration and Configuration of a Market

Let the market consist of m purchasers p_i ... (i = 1, ... m) and n sellers s_j ... (j = 1, ... n) and let the transactions in the market be indicated by a matrix — of dimension m by n in the present case — with a cross in the cells having transactions and with a zero in the remaining cells. If we start with any participant, say p_1, and enumerate in successive steps the participants having transactions with those in the immediately preceding step excluding at each step the participants enumerated at an earlier step, we would obtain a list of participants shown schematically below :

p_1

Step 1 — All the sellers having transactions with p_1

Step 2 — All the purchasers, other than p_1, having transactions with the sellers enumerated at at step 1

Step 3 — All the sellers, other than those enumerated at step 1, having transactions with the purchasers enumerated at step 2, and so on until the list terminates with no new participant turning up for enumeration.

We call such a list the Step-Wise Representation (SWR for short) of the market.

The procedure of analysis suggested here is based on the assumption that the contacts among the participants in the market arise only through the transactions occurring in the market. Considering the SWR shown above in the light of this assumption, it would be reasonable to regard that the participant p_1, with whom the SWR starts, is in contact with all the participants enumerated in the SWR, directly with those in the first step and indirectly with those in the later steps; for example, any move or decision taken by p_1 may be expected to evoke a response from all the enumerated participants with the initial response coming from those in step 1 followed successively by the response from those in the later steps. This would suggest that we can regard all the participants in a market as being in contact with each other if the SWR of the market (starting with any arbitrarily selected participant) includes all of the participants. Formally, therefore, we define a market to be "integrated" if and only if its SWR is exhaustive.[8] Secondly, considering again the SWR shown above, a notion of distance among the participants in the market can be formulated on the basis of the proposition that the distance between p_1 and those with whom he has direct contact through transactions, i e, those enumerated in step 1, is zero and that this distance increases with the number of steps intervening between p_1 and any other specified participant enumerated in the SWR. Adopting this line of reasoning, we define the distance between p_1 and a participant enumerated in step i to be equal to i — 1. Procedurally, the distance defined in this manner can be computed for any given participant from the other participants by preparing the SWR of the market starting with that participant. One implication of this definition is that the distance is defined only for pairs of participants enumerated in a SWR and it is computable for all possible distinct pairs of participants if and only if the market is integrated.

We now indicate a typology for participants in an integrated market and a scheme for configurational description of such a market based on the concept of distance defined above. To start with, we define the participant with the minimum total — or, equivalently, minimum average distance — from all other participants in the market as the central participant. We call the Step-Wise Representation of a market starting with the central participant as the Standard Step-Wise Representation (SSWR) of the market.[9] Once the SSWR is prepared for an integrated market, participants in each step may be classified on the basis of whether they have or do not have transactions with those in the next step. It would appear meaningful to regard the participants having transactions with at least one participant in the next step as being in the interior of the market and the participants having no such transaction as being on the boundary of the market. Hence, we designate the former as interior participants and the latter as peripheral participants. With this typology for participants — central, interior and peripheral —, we can visualise an integrated market as having a centre, an interior part and a boundary.[10] A notion which is of further help in this direction is that of a sectionalised market by which we mean an integrated market which becomes non-integrated on *removing the* row/column corresponding to the central participant from the matrix of the market; the sub-markets in such a market yielded by the removal of the central participant may be regarded as forming different sections in the market held together by the central participant.[11]

In principle, the SSWR of an

Table A

Characteristic	*Minimum* and Maximum Values of the Characteristic in an Integrated Market of Dimension m x n (with m assumed to be less than n)	
	Minimum	Maximum
Number of steps in the SSWR	2	m if m is odd; m + 1 if m is even
Number of Direct contacts in the Market, i e, number of cells having transactions in the matrix of the market	m + n — 1	m x n
Average Distance of the central participant from all other participants in the market	$\frac{(m-1)}{(m+n-1)}$	$\frac{(m^2-4m+2+mn)}{2(m+n-1)}$ if m is even; $\frac{(m^2-4m+2+mn-n-m)}{2(m+n-1)}$ if m is odd.

integrated market may have only a few steps or a large number of steps depending on the pattern of contacts in the market. Intuitively, a market with a few steps can be regarded as more closely integrated than the one having a large number of steps; in other words, the degree of integration of an integrated market may plausibly be taken to decrease with the number of steps in its SSWR. A measure for degree of integration arising from this point of view is the following. Let S stand for the number of steps in the SSWR of an observed integrated market of dimension $m \times n$. Let us assume that we are able to specify the minimum value and the maximum value of S in the set of all possible integrated markets of the same dimension and let these be indicated, respectively, by S_m and S_M.

Then, it can be verified that $\frac{S_M - S}{S_M - S_m}$ can serve as a suitable measure of degree of integration. It would be possible to have equally plausible alternative measures for degree of integration by basing it on a characteristic other than the number of steps in SSWR. For example, one may define a measure based on the number of direct contacts in the market (i e, the number of cells with transactions in the matrix of the market) viewing the degree of integration as increasing with the number of direct contacts. Still another alternative would be to base the measure on the average distance of the central participant from all other participants in the market under the assumption that the degree of integration varies inversely with this distance. It is possible that further investigation might indicate one of these measures, or some altogether different measure, as more appropriate and useful in practice. Our intention here is, merely to point out the possibilities suggested directly by the notions of distance and configuration adopted by us. The minimum and maximum values that are needed to define the alternative measures are indicated in Table A.

Excepting the maximum value of the last characteristic, it can be easily shown that the other values are indeed in the nature of minimum/maximum values attainable in an integrated market; the result shown for the maximum value of the last characteristic appears to be true though a rigorous proof could not be provided.[12] The minimum and maximum values shown above, along with the actual values of the characteristics for an observed integrated market,

LIST 1: MARKET CHARACTERISTICS OF LESSEE GROUPS

Lessee Group	Central Participant	Interior Participant	Peripheral Participant		Total No of Markets
			Multi-transaction	Single-transaction	
OS	1	8	8	—	17
OM	—	7	4	—	11
OB	—	1	—	3	4
OL	—	—	—	1	1
SS	3	13	5	—	21
SM	4	11	2	1	18
SB	—	5	5	1	11
SL	—	—	1	1	2
MS	—	3	1	2	6
MM	2	14	3	2	21
MB	—	7	5	—	12
ML	—	1	1	1	3
BS	—	—	—	—	—
BM	—	—	—	2	2
BB	1	9	3	3	16
BL	—	2	3	1	6
LS	—	—	—	—	—
LM	—	—	—	—	—
LB	—	—	—	2	2
LL	—	2	1	4	7
NR	—	14	3	2	19
Total	11	97	45	26	179

will enable computation of alternative measures for degree of integration once a suitable formula is adopted; the formula based on the number of steps in the SSWR presented earlier above would serve as an illustration.

In noting the limitations of the procedure set out above, it is necessary to distinguish clearly between its two main aspects. The first relates to the perspective and motivation; the procedure views a market as a system of contacts among the participants and suggests certain features of the system — integration, configuration, etc — as being of interest in understanding the nature and functioning of the market. This perspective might very likely prove to be relevant and useful in any market analysis, particularly when the market being considered is small enough for participant-wise analysis. The second aspect — the one from which the limitations and restrictive applicability of the procedure arise — relates to the nature of information made use of in the procedure to concretise the notions like integration, distance, etc. Since the procedure uses only the information of the type "who deals with whom" — and nothing else — it neglects the fact that contacts among the participants in a market need not arise only through transactions occurring in the market and that even the contacts established by transactions may vary in nature and quality depending on features of transactions such as their quantum, recurrence, etc. It would, obviously, be desirable to find a way to utilise such information in analysing the system of contacts in a market. The procedure suggested here is offered primarily as a device useful in preliminary analyses or in investigations, such as ours, with very limited information on the market.

The analysis of our data along the lines outlined above suggested strongly that the lease markets in the region of investigation tend to be closely integrated. Only two out of the twenty-three markets — covered in the analysis were found to be non-integrated; more significantly, out of the twenty-one integrated markets, only one was found to be sectionalised and in no case did the number of steps in the SSWR exceed three. The findings on configuration are presented in the two appended lists — List 1 covers lessees and List 2 covers lessors. Each row in these lists indicates for a specified mixed-code group of lessees/lessors the number of villages in which the group was the central participant, the number of villages in which it was an interior participant and so on. In view of the close integration of the lease market, the distinction between an interior participant and a peripheral participant loses some of its significance in our analysis. Hence, it is suggested that while examining the two lists attention may be confined to central participants and single-transaction peripheral participants (i e, those having a single cell with transactions and who, as seen in footnote 9, are necessarily peripheral) who, in a sense, may be regarded as the least active partici-

LIST 2: MARKET CHARACTERISTICS OF LESSOR GROUPS

Lessor Group	Central Participant	Interior Participant	Peripheral Participant		Total No of Markets
			Multi-transaction	Single-transaction	
SO	—	8	3	3	14
MO	—	4	2	4	10
BO	—	2	—	—	2
LO	—	—	—	—	—
SO(U)	4	10	4	3	21
MO(U)	—	11	5	1	17
BO(U)	1	5	6	—	12
LO(U)	—	4	3	—	7
SS	—	9	5	2	16
SM	—	2	1	5	8
SB	—	—	—	1	1
SL	—	—	—	—	—
MS	—	7	4	5	16
MM	—	7	7	1	15
MB	—	1	—	5	6
ML	—	—	—	1	1
BS	—	8	2	1	11
BM	—	3	3	2	8
BB	—	5	4	3	12
BL	—	1	1	—	2
LS	—	2	1	—	3
LM	—	1	—	1	2
LB	1	4	—	1	6
LL	1	4	2	3	10
NR	3	11	5	1	20
Trust	—	7	3	3	13
Total	10	116	61	46	233

pants in the market. To facilitate this, the single — transaction peripheral participants and the other peripheral participants are distinguished from each other in the two lists.

Notes

1 The purpose of this research project was to study the implementation and impact of the Tiller's Day Amendment (1956) to the Bombay Tenancy and Agricultural Lands Act over the period 1956-57 to 1964-65. The field-investigation for the study, conducted in the year 1965-66, covered thirty-six villages selected from the ryotwari areas of three districts — Satara and Kolaba in Maharashtra and Kaira in Gujarat. The data on ownership, cultivation and leasing of agricultural land relating to the end-years of the period of study were collected from all the families in the selected villages having interest in land as owners/cultivators. The field material also included other data — some collected from village records and some from sample families. The findings of the study are contained in "Evaluation of Land Reforms (with special reference to the Western Region of India)" M L Dantwala and C H Shah, Department of Economics, University of Bombay, 1971. The analysis of lease transactions referred to in this paper is contained in chapter VII "Structural Features of Village Lease Markets". For a number of reasons explained in the chapter, this analysis could not cover all the villages investigated.

2 Four size-classes were used for this purpose — small (upto 5 acres), medium (5 to 15 acres), big (15 to 30 acres) and large (30 acres and above) symbolised, respectively, by letters S, M, B and L; letter 0 indicates zero ownership/cultivation holding depending on the place occupied by the letter in the mixed-code. The suffix (U) added to a mixed-code indicates that the lessors are urban-dwellers; these have been classified on the basis of extent of their ownership of land in the selected village. NR (Non-resident) stands for lessors/lessees residing in villages other than the selected village; they could not be classified into mixed-code groups since full details of ownership/cultivation of land by them were not available.

3 The following are some further indications of fragmentation of owned holding as a possible factor behind leasing of land. Firstly, it was seen that a major part of the land leased out by the NR lessors, a common group of lessors as seen in Table 1, came from lessors residing within five miles of the selected village. Secondly, a perusal of the two lists given in the Appendix would show the presence in a few villages of anomalous-looking groups of lessors/lessees, e g, lessor groups SM, MB, etc, with ownership size-class less than cultivation size-class and lessee groups like MS, BM, etc, with ownership size-class exceeding cultivation size-class; plausibly, such groups owe their existence to fragmentation of ownership holding.

4 On the side of lessees, the "first" groups varied from OS and SS at one extreme to BB and ML at the other with the group SM being the "First" group in a little over one-third of all villages. On the side of lessors, the "first" groups varied from SS at one extreme to LO(U) and LL at the other with no single group turning up as the "first" group in more than one-fifth of all villages.

5 In that case one would reasonably expect the lease market to have the following features (i) groups of lessors like LO and BO to be common groups, (ii) groups of lessees, other than OS and SS, to be rare groups, (iii) groups of lessees OS and SS accounting for a major part of leased-in land in a majority of villages, and (iv) high concentration ratio for leased-out land and low for leased-in land. As seen earlier above, the lease markets covered in our analysis do not have these features.

6 The analysis of land transfers reported in the author's "Land Transfers in Rural Communities — Some Findings for a Ryotwari Regime in India" provides some indications of such a process. *Economic and Political Weekly*, September 30, 1972.

7 The scores assigned varied from + 8 — given to mixed-codes LL, LB — to −3 given to mixed-code OS. The score assigned to each mixed-code was the summation of scores given to ownership size-class, cultivation size-class, the difference between the two size-classes and the residence-characteristic of the mixed-code. The scheme of scoring used and the results obtained are contained in the source noted in footnote 1.

8 In terms of matrix representation of market, the distinction between integrated market and non-integrated market is similar to that between indecomposable and decomposable matrices. Formally, a non-integrated market is one which permits (i) partitioning of each of two sets (p_i) and (s_j) into K subsets P_a and S_b (a and b = 1, ... K), and (ii) a one-to-one correspondence between subsets P_a and S_b such that transactions occur only among participants belonging to the corresponding subsets. An integrated market can then be defined as one which does not permit such partitioning. The corresponding subsets in a non-integrated market can be regarded as forming sub-markets with no contact with each other. It can be shown that a non-integrated market can be decomposed into two or more sub-markets, each an integrated

market by itself, and that such sub-markets will reveal themselves in the process of preparing the SWR of a non-integrated market. Since a sub-market must contain at least one purchaser and one seller, it is easy to see that a non-integrated market of dimension m x n cannot have more than m or n (whichever is smaller) sub-markets.

9 A complication neglected here is that more than one participant may tie up for the central position. When this happens, one will have either to proceed in terms of multi-centred markets or choose one as the central participant from among the competing participants on the basis of some other relevant criteria. It may be mentioned that during our analysis this difficulty arose only in two markets.

10 It may be asked at this stage whether propositions in the nature of necessary/sufficient conditions for a participant to be central, interior or peripheral can be derived. It can be shown that participants having a single transaction (i e, having a single cell with transactions in the row/column corresponding to them) are necessarily peripheral. It can also be shown that in a market with m purchasers and n sellers (with m assumed to be less than n) a purchaser having transactions with all the sellers is necessarily the central participant. Note that the second proposition is conditional upon "m less than n". It is doubtful whether further propositions of this kind can be obtained.

11 Please see footnote 6 for the definition of sub-market. It would obviously be possible to investigate the sectionalisation of the market by removing other participants from the market. We may define a participant as a "connecting participant" if his removal from the market has one or both of the following consequences — (a) market becomes non-integrated, and (b) one or more other participants get excluded from the market. In a similar vein, we may define a cell with transactions in the matrix of the market as a "connecting cell" if placing of a zero in that cell has one or both of these consequences. The notion of "connecting" participants and cells is useful in investigating the properties of a market. Please see the next footnote for an example.

12 It may be interesting to know in what types of markets the minimum/maximum values of the characteristics are attained. It is easy to show that the market at one extreme is such that every cell in the matrix has transactions; in such a market no participant or cell, by itself, is a connecting participant/cell. At the other extreme, the market is such that every cell with transactions is a connecting cell. It can be shown that in such a market the cells with transactions are necessarily m + n − 1 in number and that, with some further conditions, the number of steps in the SSWR and the average distance of the central participant from the other participants will attain their maximum values. We may regard the first type of market noted in this footnote as a "closely integrated" market and the second type as a "barely integrated" market.

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The Bamboo Tubewell

A Low Cost Device for Exploiting Ground Water

P S Appu

The bamboo tubewell, introduced in Saharsa in Bihar in December 1968, has brought the tapping of groundwater well within the reach of small cultivators. This paper discusses the special advantages of the bamboo tubewell and the remarkable results achieved in the districts of Saharsa and Purnea in Bihar.

The success of the bamboo tubewell in Saharsa and Purnea has thrown into bold relief the pressing necessity to enforce ceiling and tenancy laws. These two districts are well known for extreme inequality in ownership of land. Big landowners are not interested in the intensive cultivation of their holdings and very few among them have gone in for bamboo tubewells. Most of the bamboo tubewells have been sunk by small and medium farmers. Strict implementation of the ceiling law will pave the way for more efficient utilisation of the available land. A considerable part of the cultivated area in the two districts, particularly in Purnea, is cultivated through share-croppers. It is unlikely that these lands will be irrigated by bamboo tubewells until permanent and heritable rights are conferred on the share-croppers.

Strict enforcement of ceiling and tenancy laws is thus a condition precedent for the optimum utilisation of groundwater resources in the districts of Purnea and Saharsa.

[The views expressed here are the personal views of the author.]

THE bamboo tubewell is an innovation introduced in the Saharsa District of Bihar in December 1968. It bids fair to presage a spectacular breakthrough in the exploitation of ground water. The materials used are all locally available, the only skilled technician needed is the village blacksmith, the work can be completed in a few hours and the cost is only about Rs 250 or so. The bamboo tubewell has brought the tapping of ground water well within the means of small cultivators. This paper tells the story of the invention of the bamboo tubewell, its special advantages and the remarkable results achieved in the districts of Purnea and Saharsa.

The Indo-Gangetic plain and the deltas of the great rivers are endowed with rich ground water resources. The recent spurt in agricultural production in some patches of these tracts, picturesquely, but rather inaccurately, styled as the "Green Revolution", is largely based on the intensive exploitation of ground water through tubewells. It is no accident that the home of the so-called Green Revolution is the Punjab-Haryana region where about 80 per cent of the ground water is being currently tapped to support multiple cropping. Only a small part of the ground water potential is, however, utilised at present in large parts of the Gangetic plain, particulary in Eastern Uttar Pradesh and Bihar. It is beyond the scope of this paper to go into the reasons for the tardy progress in the exploitation of ground water. The conditions in the districts of Purnea and Saharsa in North Bihar are in several ways ideal for the easy exploitation of ground water. With an average annual precipitation of 60 to 65 inches, ground water resources are more plentiful than in the Western part of the Gangetic plain. The aquifers get recharged by the Kosi Canal system which waters large parts of the two districts. A perennial stratum of ground water is usually struck at a depth of 15 to 60 feet from the surface. The soil being sandy or sandy loam, it takes only a few hours to sink a tubewell anywhere in these districts. In spite of these great natural advantages the exploitation of ground water had not made much headway in this region until recent months.

The first tubewells were sunk in this area some fifteen years ago. At that time a tubewell equipped with brass strainer used to cost over Rs 6,000. In the year 1969 a scheme was drawn up with assistance from the Agricultural Refinance Corporation to sink a large number of 4" tubewells. The cost of a tubewell was estimated at Rs 4,000. Including the price of diesel pumpset, the total cost of installing a tubewell was Rs 8,000. These tubewells tapped ground water at a depth of 150 feet. When it was found that it was enough to go down to a depth of only about 80 feet, the cost of the tubewell could be reduced to about Rs 3,000. Even so the installation of a tubewell remained far beyond the means of small and medium farmers and, therefore, the scheme did not register much progress. So far only 1,580 such tubewells could be installed in the two districts during the last four years.

A cheaper kind of tubewell had been in vogue in the neighbouring districts of West Bengal. In these tubewells, often known as filter points, iron pipes were substituted by cylindrical frames formed by welding 1/4" steel rods around iron rings. Coir string was wound around the cylindrical frame to serve as strainer. The cost was about Rs 800 to Rs 900. Though these filter points did not get any encouragement from government departments, a few of them had been installed by some enterprising farmers of Purnea and Saharsa.

It was against this background that the bamboo tubewell was invented in December 1968. As in many cases in history, this invention was also mothered by necessity. Ram Prasad Chaudhary Jaiswal of village Lalpur in the Singheshwar Asthan Block of Saharsa is a medium farmer owning about 15 acres of land. Some years ago he had purchased a diesel pumpset with a government loan and had taken to modern farming. But he had no dependable source of irrigation. In the winter of 1968 he entered into an agreement with a farmer of another block to buy his old tubewell. He hoped to have it pulled out and installed in his own land. In the safe assurance that he would be able to have a tubewell in time, Ram Prasad went ahead and sowed an improved variety of wheat seed in his land. The vendor, however, backed out of the agreement subsequently, and Ram Prasad found himself at a loose end. He spent several sleepless nights wondering how his wheat crop could be saved. The fact,

that coir string could be used for making strainers was known to him. It occurred to him in a flash that he could try to fabricate a strainer by using strips of bamboo and coir string. He made a long cylindrical frame by fixing strips of bamboo with nails around iron rings of 4" diameter. Coir string was then tightly wound around the bamboo frame. The upper portion of the cylinder was made water-tight by wrapping gunny bags around it and smearing coal tar over the gunny bags. The bamboo tubewell was ready. All the villagers including his own brother thought that Ram Prasad had gone off his head. In the sandy soil of his village boring a deep hole in the ground was an easy job. At the first attempt the bamboo cylinder broke into two while being lowered into the ground. But the second attempt was successful. He brought his diesel pumpset, inserted the hose pipe inside the tubewell and started the engine. All the spectators and Ram Prasad himself were greatly astonished to see water gushing out. These were the circumstances in which the first bamboo tubewell was born.

The news spread quickly. The Block Development Officer of Singheshwar Asthan and the Special Deputy Director of Agriculture of Saharsa were greatly impressed and they tried to persuade other farmers to sink bamboo tubewells. But government's tubewell department did not take kindly to bamboo tubewells. The department had several objections. Bamboo is easily affected by air and water, is destroyed by white ants and rodents, and may not resist the soil pressure. The tubewell department would not encourage bamboo tubewells. During the next four years about 3,000 bamboo tubewells were sunk in Saharsa and about 1,000 in Purnea without any assistance from government sources.

The severe drought of 1972 turned out to be the proverbial blessing in disguise for the districts of Purnea and Saharsa. As part of the programme to step up rabi production, government placed funds at the disposal of the District Collectors for sanctioning loans to small farmers for sinking bamboo tubewells. Early in October 1972 the Divisional Commissioner fixed a target of 6,500 bamboo tubewells for Saharsa and 5,000 for Purnea to be sunk before the end of March 1973. Three months later, in January 1973, the state government raised the target to 6,500 for Purnea too. As luck would have it, J M Lyngdoh, Collector of Purnea and G Krishnan, Collector of Saharsa were keen, energetic, young men with initiative and drive. They gave the highest priority to the sinking of bamboo tubewells and geared up the entire administrative machinery to push up the programme. The officers at the Block level were told that their work for the year would be assessed primarily on the basis of the number of bamboo tubewells sunk in the Block. These efforts paid handsome dividends. During the four months from the middle of October 1972, 7,451 bamboo tubewells were sunk in Purnea and 6,637 in Saharsa with loan assistance from government. The farmers on their own without any help from government sunk during the same period 2,004 bamboo tubewells in Purnea and 2,791 in Saharsa. Thus over 19,000 bamboo tubewells were sunk in the two districts in four months. The discharge from a bamboo tubewell is about the same as from an ordinary 4" tubewell. In the conditions obtaining in Purnea and Saharsa a bamboo tubewell irrigates 5 to 10 acres of land. Thus over one lakh acres of agricultural land has been brought under irrigation in the two districts in recent months with a small financial outlay. Only a sum of about Rs 50 lakhs has been given as loan to farmers in the two districts for sinking bamboo tubewells.

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Bamboo tubewells serve no purpose unless there are satisfactory arrangements for lifting water. As electricty has not reached most villages, reliance had to be placed on diesel pumpsets. The programme of sinking bamboo tubewells was accompanied by a vigorous drive to sanction loans to farmers through the Land Mortgage Bank and commercial banks to finance the purchase of diesel pumps. The pumps are usually mounted on wheels and experience has shown that one pump can service up to five bamboo tubewells. Diesel pumps are now available on hire in the rural areas of the two districts. Including the cost of fuel the hire charges range from Rs 4 to Rs 6 per hour. Thus bamboo tubewells coupled with the availability of mobile diesel pumpsets on hire have brought the exploitation of ground water well within the means of small farmers.

The materials required for fabricating a bamboo tubewell are three or four bamboos, about 20 kilogrammes of coir string, a few iron rings of 4" diameter, a few yards of steel wire, iron nails, coal tar and old gunny bags. The following method is usually employed in making bamboo tubewells. Bamboo is cut into narrow strips, about 1" broad and twenty feet long. The bamboo strips are then circularly laid over iron rings of 4" diameter and fixed to the rings with nails and wires. Coir string is then tightly wound around the bamboo frame. Two or three such cylinders joined to each other while being lowered into the ground are used in a bamboo tubewell. One of the cylinders which will constitute the top portion of the tubewell is covered by gunny bags and then coal tar is smeared on the gunny bags to make the cylinder water-tight. The bottom cylinder or cylinders constitute the strainer. Not much effort is needed to make a sixty feet hole in the sandy soil of Purnea and Saharsa and, therefore, the installation of a bamboo tubewell takes only a few hours.

The bamboo tubewell has several obvious advantages. All the materials required are locally available. The only skilled technician needed is the village blacksmith. In the context of the acute shortage of steel, its substitution by bamboo is a welcome development from the point of view of the national economy. The most attractive feature of the bamboo tubewell is its extremely low cost which seldom exceeds Rs 250. The life of a bamboo tubewell is not as short as originally apprehended. Some have already been in existence for over 4 years. The bamboo tubewell has brought the exploitation of ground water within the reach of small cultivators. Even cultivators who own as little as half an acre of land have installed bamboo tubewells. Most of the holdings being fragmented, hitherto even well-to-do farmers found it difficult and uneconomic to provide irrigation for all the plots of land owned by them. Now they are in a position to install a bamboo tubewell in each scattered plot and bring the entire holding under irrigation. Furthermore, the investment in bamboo tubewells being so low, their sinking will not render future consolidation of holdings more difficult. The bamboo tubewell has also generated considerable employment in the rural areas. The fabrication and installation of one bamboo tubewell gives employment to about ten labourers for one day. And finally, the large-scale exploitation of ground water by sinking bamboo tubewells will remedy to a great extent the water-logging caused by the Kosi irrigation system and may prevent any possible rise in the water table. Thus the bamboo tubewell may turn out to be a corrective and complement to canal irrigation.

The ambitious programme of sinking bamboo tubewells is being executed without having undertaken any detailed survey of ground water resources. Knowledgeable men with whom the writer has casually discussed the matter are inclined to think that considering the rate of recharge of the aquifers in this region, there is no danger of the dropping of the water table. Even so, it is absolutely necessary to conduct a detailed survey, fix limits of safe exploitation of ground water and lay down a mandatory minimum distance between bamboo tubewells. This question should receive the immediate attention of the state government and of the Central Ground Water Board.

Another aspect of the programme which calls for special attention is the need to ensure easy availability of diesel pumpsets. If pumps are in short supply there is every possibility of the hire charges shooting up, and that will cause great hardship to small farmers. It is, therefore, necessary to remove the hurdles in securing loans from the Land Mortgage Bank and commercial banks, ensure adequate supply of diesel pumpsets of good quality and provide for efficient after-sale service.

In the absence of access to inputs an adequate extension services, the small farmers of the area have not been able to make the best use of the new irrigation facilities. Even a casual observer will not fail to notice the poor crops grown on irrigated land. Optimum doses of fertilisers are seldom used and modern farming practices are almost unknown. Special efforts are necessary to extend massive institutional credit to small farmers. Vigorous agricultural extension services are also equally necessary.

The success of the bamboo tubewell programme has thrown into bold relief the pressing necessity to enforce honestly and efficiently the ceiling and tenancy laws. These two districts are well known for extreme inequality in the ownership of land. It has been noticed that big landowners are not interested in the intensive cultivation of their holdings and very few among them have gone in for bamboo tubewells. Most of the bamboo tubewells have been sunk by small and medium farmers. Strict implementation of the ceiling law will pave the way for the more efficient utilisation of the available agricultural land. It has also been observed that bamboo tubewells are seldom sunk on land cultivated through share-croppers. A considerable part of the cultivated area in the two districts, particularly in Purnea, is cultivated through share-croppers. It is unlikely that these lands will be irrigated by bamboo tubewells until permanent and heritable rights are conferred on the share-croppers. In the event of the land-owner deciding to invest in a bamboo tubewell, he will certainly take effective measures to eject the share-cropper before he sinks the tubewell. It is, therefore, a matter of paramount importance to take effective steps immediately to confer security of tenure on share-croppers. Thus the strict enforcement of the ceiling and tenancy laws is a condition precedent for the optimum utilisation of ground water resoures in the districts of Purnea and Saharsa.

The success of the bamboo tubewell programme amply demonstrates that the farmers are intelligent and cost-conscious. When they found that the investment was worthwhile, they went in for sinking bamboo tubewells in a big way with only nominal assistance from government. In all probability this low cost device for the exploitation of ground water will bring considerable agricultural prosperity to Purnea and Saharsa in the next two or three years. If some of the steps indicated in this paper are taken in good time it may be possible to ensure rapid agricultural growth without widening the existing disparities in wealth and income.

Pre-Harvest Loss of Rice Due to Field Rodents

Subodh Kumar Roy

Assessment of pre-harvest field loss of foodgrain due to rodents is an intricate problem, since the extent and cost of damage vary with the crop, the season and the tract. Moreover, the methods of recording have not been standardised making it difficult to compare results of different studies.

This is a preliminary report on the pre-harvest physical loss of aman rice caused by field rats in the agricultural farm of the Indian Statistical Institute in Giridih in south Bihar.

This preliminary report suggests that further investigations are required in different tracts of India, on research farms as also on farmers' fields to get a clear picture of the pre-harvest loss of foodgrains about which we hardly have any dependable statistics at present.

A data-based estimate of the foodgrain losses due to rodents might reveal that, if such losses are prevented or minimised, the present production is enough not only to meet normal national requirement but to have a reasonable reserve for emergencies.

LOSS of foodgrains may occur in two stages, namely, the pre-harvest loss in the field and the post-harvest loss during the period between harvest and human consumption. Damages to crops in the field and foodgrains in storage are caused by various biological agents like micro-organisms, insects, birds, rodents and other mammalian pests. Losses also occur during transport, handling and processing in addition to losses in hotels and households. The loss is measured in terms of loss of weight. But loss may also be chemical in nature due to degradation of chemical properties caused by insect attack and microbial infection, making the foodgrains unsuitable for human consumption.

Reliable statistical information on the annual availability of foodgrains is very important for policy decisions regarding procurement, distribution, price, imports and agricultural endeavours. But reliable statistics on availability can be obtained only through dependable estimates of production and loss. Estimation of foodgrain production in India has received attention for a long time and methods of estimation have been standardised now. But attempts to estimate the loss of foodgrains have been mostly speculative or have been based on inadequately designed studies.

However, some estimates on the annual physical losses of foodgrains in India are available [1 to 8, 10 to 14]. Kunhardt [7] estimated that the annual material loss to crops and grains in India caused by rodents was about Rs 300 million which Hussain and Banerjee [6] considered to be very much below the actual figures. According to Singh [11] the estimated loss of foodstuffs due to rodents in the United Punjab was 0.33 million tons in 1921 and that in the divided Punjab in 1952 was 0.16 million tons. According to Coyne [1] and Srivastava [14] the annual losses of foodgrains in India due to rats were 1.00 million tons and 2.4 million tons respectively. It was reported that paddy crops in Cuttack and West Godavari [2] and also maize crop in Aligarh districts [3] suffered no loss from damage by rats and that loss of wheat crop was 'very nominal' in Aligarh district [3]. Loss of paddy crop due to rats in Thanjavur district have been estimated as follows: Kuruvai 1.38 to 2.91 per cent; Samba 1.63 per cent and Thaladi 2.96 per cent. In a study under a co-ordinated scheme sponsored by the Indian Council of Agricultural Research (ICAR), damage caused by rats to barley, wheat, rice, groundnut, coconut, maize and jowar crops ranged from 2.5 per cent to 11.8 per cent [10]. Parpia [8] estimated that 25 per cent of all crops grown in India are lost in the field due to insects, pests, diseases and rodents, 15 per cent are lost due to the activities of insects, fungi, moisture, birds and other pests during storage and an additional 10 per cent are lost due to handling, etc — adding up to 26 million tons annually. The FAO reported a total loss of 50 per cent of foodgrains in India with about 10 per cent by rats alone [5]. The Union Ministry gave highly variable estimates of foodgrain losses in India to rodents such as 2.4 per cent, 3 to 7 per cent and 42 per cent at different points of time [13].

Most of these estimates, including those of pre-harvest loss due to rodents, were apparently based on speculation rather than actual evidence from hoarding retrieval. And when hoarded grains were retrieved [12] the production figures of the 'reclamation plots' were not recorded, making it impossible to estimate the proportion of loss.

This confusing situation prompted us to undertake the present investigation with a view to removing or at least minimising the current confusion regarding pre-harvest loss of foodgrains caused by rodents. The present report is a preliminary account of the pre-harvest physical loss of *aman* rice caused by field rats in the agricultural farm of the Indian Statistical Institute in Giridih in South Bihar.

Assessment of pre-harvest field loss of foodgrains due to rodents is an intricate problem, since the extent and cost of damage vary with the crop, the season and the tract. Moreover, the methods of recording have not been standardised making it difficult to compare results of different studies.

The Method

All rat burrows in certain selected fields were excavated during or immediately after the rice harvest in December-January. The hoarded earheads and grains were retrieved, threshed, washed, cleaned and sundried to a constant weight. The dry weights of grains for each 'store' were recorded separately and the weight of the hoarded grains compared with the yields of the respective 'reclamation plots'.

It is recognised that this method is open to the criticisms that (a) full recovery of hoarded grains from a rat burrow is impossible; (b) the quantity of consumption of grains during the period starting from hoarding to excavation is difficult to estimate; and (c) the extent of loss of grains from earhead during transport from plants to

Table 1: Yield of Paddy Harvested and Paddy Reclaimed from 'Stores' of Rat Burrows in 'Reclamation Plots during Two Agricultural Years and Estimated Loss

Agricultural Year	Total No of 'Stores' Retrieved from 'Reclamation Plots'	Dry Weight of Paddy (kg) in 'Reclamation Plots'			Average Dry Weight (kg) Grains per 'Store'	Per Cent of Grains Hoarded	Estimated Loss (Per Cent)
		Harvested	Retrieved from Rat Burrows	Total			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1969-70	186	1540	103	1643	0.554	6.27	7.84
1970-71	347	3182	183	3365	0.527	5.44	6.80
Total	533	4722	286	5008	0.537	5.71	7.14

burrow, though small, cannot be determined.

It would thus appear that hoarding retrieval may not represent the actual pre-harvest loss of paddy and that the estimate given in this report is very likely to be an underestimate. Nevertheless, the order of magnitude of pre-harvest loss can undoubtedly be ascertained by this method.

Field rats began effective procurement of rice earheads at maturity of the crop and continued till harvesting. They cut the earheads at a fairly fixed point. The 'stores' were rather neat and compact. The intact and dry earheads were arranged in remarkable uniformity with the bases mostly (over 95 per cent) placed on one side and not randomly mixed.

From the field observation and pen study it was evident that there was no apparent preference of one variety over others for procurement and hoarding. During the harvest of *aman* rice it was observed that heaps of different quantities of rice earheads were occasionally placed on the ground near the opening of the burrow. The general arrangement of the earheads in such 'interim stores', as we call them, was very similar to those in the underground 'stores'.

It was observed that the field rats abandoned their burrows in a recently harvested barren *aman* rice field and migrated to the neighbouring fields having standing wheat and pulse crops which offered a new source of food.

The details of the fate of the hoarded grains is not fully known. While the field rats evidently eat some of their hoarded food, it is not clear in what circumstances it is done and most of the hoarded grains, at any rate, is lost to the rat since the grains germinate, mould and eventually rot in the abandoned burrows.

Results and Discussion

The dry weight of clean paddy for each underground 'store' and yields of paddy of the 'reclamation plots' were recorded for the agricultural years 1969-70 and 1970-71. Average weights of dry paddy per store, percentage of hoarded grains and estimated loss were computed. The results are shown in Table 1.

It will be seen that an average weight of 0.537 kg of dry grains per 'store' was hoarded and that the difference between the average weight of grains per 'store' between seasons was negligible. It will further be observed that the grains hoarded by rats in the burrows was 5.71 per cent of the total rice produced in the 'reclamation plots'.

If we presume, as demonstrated by Parrack [9] in an experimental (captive) setting, that hoarding by rats represents 80 per cent of their procurement, then about 7.1 per cent of matured paddy was lost to rodents in the field, which is obviously an underestimate of the actual loss during the hoarding process.

These findings can be applied to the agricultural farm in Giridih where the investigation was made. It is also desirable to bear in mind that the results obtained in an experimental farm are not necessarily applicable to cultivators' fields. Because of these restrictions, any generalisation about pre-harvest loss is not possible from the results of this study.

This preliminary report suggests that further investigations are required to be pursued in different tracts of India, in research farms and also in farmers' fields to have a clear picture of the extent of pre-harvest loss of foodgrains about which we hardly have any dependable statistics at present.

A data-based estimate of India's foodgrain losses to rodents might reveal that, if such losses are prevented or minimised, the present production is enough not only to meet normal national requirement but to have a reasonable reserve for emergencies.

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Wages of Foreign Collaboration

K R Bhattacharya

Import of Capital and Technology: A Study of Foreign Collaboration in Indian Industry; by K K Subrahmanian; People's Publishing House, New Delhi, 1972; pp vii + 248; Rs 25.

A MASSIVE international effort for the economic development of the countries of the Third World has been a major feature of the post-Second World War world. This effort has been based primarily on assistance — in the form of aid, investment, technical collaboration and expertise — offered to the poor countries, the erstwhile colonies and semi-colonies, by the rich countries, their erstwhile colonisers now turned friends.

What have been the premises of this effort? As postulated, the rates of saving and investment and the level of technology in poor countries are low; they also suffer from adverse balance of payments due to their heavy need for capital goods imports. It it then premised that their poverty is due to these four gaps, which foreign aid, investment and collaboration would fill, whereupon the countries would easily embark upon a process of growth and prosperity.

But what has been the result? K K Subrahmanian's study provides a detailed assessment with respect to private foreign investment and technical collaboration in India. There have been many competent and more comprehensive analyses of the foreign investment aspect earlier.[1] But Subrahmanian's is the most comprehensive work on technical collaboration so far. We will first present a summary of his findings in section I and then turn to an analytical discussion in section II.

I

Originally foreign investment in India was typically colonial, inclined to develop trade rather than industry, and primary products (plantation, mining) in the latter. This pattern changed after Independence when activity shifted to manufacture, because the import-substitution policy of the government reduced the scope of import trading in finished goods while the infrastructure development by the public sector and the tariff walls made local investment highly profitable. The government also gave encouragement to foreign participation with progressive liberalisation of policy particularly following the two foreign exchange crises of 1957 and 1963. All this gradually led to a boom in the import of foreign capital and technology.

But has the investment moved into spheres where it was most needed? Unfortunately no. A comparison of the plan priorities for investment and foreign-exchange needs with the actual pattern of foreign investment achieved showed a clear dichotomy between the two. (For example, while chemical products received only 11th rank in the plan investment programme and 9th rank in terms of import requirement, it ranked the 4th place in joint-venture investment and absorbed the largest share of foreign capital.)

Actually private foreign investment has been concentrated mostly in technology-intensive product lines (particularly basic chemicals, industrial machinery and electrical machinery). This was because technology was the key input for investment in these fields, which was the monopoly of big foreign firms by virtue of international patent protection. Besides, the technique of kind-investment enabled the firms to invest easily in these fields by exchanging capital goods and knowhow for equity shares even without committing any free funds. Interestingly, financial collaboration occurred also in consumer goods industries that do not involve complex technology — such as milk powder, glassware, transistors, air-conditioners, gums, cosmetics. Clearly, the main consideration here was to utilise foreign brand names for profit rather than to build up a dynamic industrial structure.

Book value of outstanding foreign private investment in the private sector increased from Rs 265 crores in 1948 to Rs 440 crores after 1955 to Rs 830 crores after 1965 and Rs 980 crores by March 1967 (Rs 265, 442, 995 and 1,230 crores, respectively, including inflow of official credit into the private sector). The net inflow of private foreign capital during the first, second and third plan periods were Rs 115, Rs 110 and Rs 220 crores, respectively. The share of these amounts in the total investment in the corporate sector (14-18 per cent) was obviously small.

But even this small share appears much bigger than it really is. Foreign investment may take place through either fresh inflow (new investment) or reinvestment of profits. Reinvestment results only in the growth of the outstanding value of foreign liabilities by reinvestment of profits and revaluation of the existing assests and adds nothing to the import capacity. No doubt it reduces current profit transfer, but it raises the capital liability and the servicing burden subsequently. New investment on the other hand transfers resources generated abroad and thus augments the foreign-exchange receipts and import capacity of the host country. However, even here there are cash and non-cash flows. In non-cash flows the investment is in kind, *viz*, capital goods and knowhow. Exchange of goods for equity shares amounts to but export of the investor's product on a deferred payment basis, usually at marked-up prices, along with obtaining dividend and ownership rights. As for acquisition of equity shares in exchange of knowhow fees and services, it is most lucrative to the foreign collaborator because the cost is indeterminate, while the dividend liability soon outweighs the temporary benefit of postponement of direct payment for the host country.

In this background it is significant that fresh capital flow constituted only some 40 per cent of the total net private foreign inflow. But even with respect to this fresh inflow, a study of the 79 new companies that were started with financial collaboration during 1960-1964 showed that nearly half of the foreign ownership was acquired through investment-in-kind, and a substantial part of it through capitalisation of knowhow fees. In 49 cases out of the 79, free equity shares were obtained in exchange of fees for technical services and knowhow. As a matter of fact the collaborator's equity participation accounted for only 27 per cent of the total imported plant cost in the 79 cases, which had to rely upon other foreign-exchange loans for financing the bulk of their capital goods import. Clearly, foreign investment has played only a small part in helping capital formation and in easing the foreign-exchange constraints in India, though obtaining substantial ownership stake at the same time.

As for the form of foreign investment, the importance of branch organisation declined after Independence

(although still substantial in the plantation sector), being progressively replaced by foreign subsidiaries and joint-ventures, particularly the latter. This shift to joint-ventures has in fact been a world-wide phenomenon. It arises from the desire of the host countries to lessen the foreign control in their manufacturing sector. For the foreign firm too, association of domestic investors helps the mobilisation of local resources and becomes a sort of insurance against the vagaries of government policy. Joint-ventures were 42, 100 and 164 in the first, second and third (first 4 years only) Plan periods, respectively. As a percentage of all new companies, the respective shares were 16, 36, and 41 per cent.

But to what extent has the policy of joint-venture been able to bring about diminution of foreign control in industry? Joint-ventures with foreigners holding equity shares of 40 per cent and above may be classed as foreign-controlled (because a shareholding of even 40-50 per cent, with the rest divided between promoters and general public, gives the foreigner effective control). On this basis more than half the number of joint-ventures started during the first three Plan periods were under foreign control. These were concentrated in technology-intensive fields and also in certain consumer items like dairy products, vegetable oils and beverages. Clearly in a large proportion of the companies, especially in technology-intensive product-lines, the collaborators managed the dilution of ownership-mix in such a way as not to diminish their control. Yet such control did not mean a greater inflow of private foreign capital. In general, the control was acquired merely by keeping the equity base small and then making the foreign equity holding equal to the foreign-exchange cost of the project. Nor were the foreign-controlled firms superior in terms of profitability, efficiency or management than their Indian-controlled counterparts.

Technical Collaboration

Coming now to the technical collaboration (i e, in knowhow with or without capital participation), they were at first relatively few but a spurt came from the government's encouragement after the foreign exchange crisis of 1957-58. Between 1956 and 1965 technical collaborations aggregated to 2,524 cases. The countrywise distribution was: UK 32 per cent, USA 20 per cent, West Germany 15 per cent, and Japan 7 per cent.

A feature of these agreements was their indiscriminate nature, i e, even for manufacture of products which were non-essential or which could be produced on the basis of local technology. These items included vacuum flasks, lipstick, toothpaste, cosmetics, brassieres, ice-cream, gin, beer, biscuits, dry batteries, readymade garments — for which in fact collaborations were granted often in multiple numbers and renewed on expiry. Clearly it is only the advantage of a foreign brand name and the demand of the higher income group that led to such collaborations rather than any contribution to economic growth. As a matter of fact there has been a collaboration mania in the country, both among licence seekers and givers, and even in the public sector.

Another feature was multiple collaboration, i e, repetitive import of the same or similar technology. Sometimes this happened for similar products at the same time and sometimes even with the same foreign collaborator for the same product. This arose from a policy of not importing technology on a national basis, and building additional capacities not by expansion or sub-licensing but by a fresh collaboration in each case. The result naturally was repetitive payments without adding to the stock of technical knowhow in the country.

But a more serious effect of multiple collaborations is the introduction of standards of various countries (in raw materials, spare parts, designs, specifications, and even terms of measurement) into the Indian industry even for very similar products or within the same firm. This multiplicity leads to large inventory accumulation and uneconomic locking up of working capital; it also hinders standardisation and variety reduction, which are of utmost importance in raising industrial productivity. Actually this is one of the important reasons for the low productivity of Indian industry. The same also follows from the establishment of multiple units disregarding scale considerations which in addition leads to underutilisation because the need to ration out limited raw material and foreign exchange among a number of units causes idling of installed capacity.

The terms of agreements again were invariably weighted in favour of the foreign collaborators because they were able to cash in on the lack of bargaining power or desire of the Indian side and the government's eagerness to acquire foreign participation in the face of foreign exchange stringency. It was found that too many functions were entrusted to the foreign collaborators under the head of initial services, whereby they reaped substantial benefits as engineering fees which moreover they usually capitalised to secure ownership in the ventures. This also deprived the Indian personnel of the opportunity of learning from experience. Thus the project report was usually the sole responsibility of the foreign collaborator; so were plant layout, specifications of equipment and selection of materials, list of machinery to be imported and fabricated, their supply and testing, supervising of erection and the trial runs. The same was sometimes true even of drawings of utility items and factory buildings, civil engineering work, selection of plant site, preparaton of market report, etc.

This also led to another serious drawback. The dual function of specification as well as supply of equipment, implying a close tie-up between the designers and suppliers, resulted not only in price mark-up but also in over-import of equipment. Equipments were imported even when these or their parts were easily available locally. Often the processes were more highly mechanised and sophisticated than were desirable or necessary. And sometimes these equipments then remained idle for want of spares leading to imbalance, idle capacity and high overhead cost. Obsolete, inefficient or untried technology were also imported sometimes.

The terms of payment (royalty and/or technical fees) too were so framed as to squeeze out the maximum payment under one terminology or other. Generally 5 per cent of the annual turnover for 10 years as royalty plus 5 per cent of the imported plant cost as technical fees in the case of royalty-cum-technical fees, or 10 per cent of the issued capital as lumpsum payment for technical fees alone, were the limits of official policy; but these tended to become routine.

But the most significant feature was the presence of various restrictive clauses in the agreements. (a) One was against diffusion of technology whereby the Indian ventures were to keep the knowhow secret and not transfer or sub-licence it to any one, in some cases even after the expiry of the agreement. This policy is one of the reasons for multiplicity of collaborations. (b) Another restriction was against the introduction of local changes by stipulating that the manufacture be carried out strictly as per the specifications, or

by limiting the right to use the brand name subject to manufacturing to the collaborator's satisfaction. Paradoxically many agreements required the Indian ventures to continuously incorporate changes introduced by the foreign collaborator. Clearly these clauses prevent the local adaptation and assimilation of imported technology, hinder the progress of standardisation and variety reduction in Indian industry, and impose a built-in condition for high import dependence. (c) Control over overseas purchase was exercised by the stipulation that it had to be made directly or indirectly through the collaborator. Since it was also he who prepared the list of plant and equipment to be purchased locally and from abroad, opportunities of raising the price as well as the import content are obvious. (d) Production also was usually tightly controlled. Sometimes foreign technicians were required to be appointed who virtually became in charge of technical management. Alternatively the guarantee of quality control was made conditional on the production being supervised by the collaborator's personnel. (They moreover were not always the best qualified or cost-conscious, leading to frustration and apathy of the Indian personnel.) (e) Pricing and marketing of the products were also often controlled by requiring that a part of the production was to be sold to the collaborator's subsidiary in India at a fixed commission or that specified firms were to be made the sole selling agents. (f) Export was also restricted. Where it was not totally banned, the right to export was given only to specific countries or on certain preconditions such as that the collaborator's agent would be the exclusive export agent (entailing a loss of a part of the foreign exchange earned as commission) or a demand of an extra royalty of 1-1.5 per cent on the export sale. Recently the government has been trying to prohibit such restrictions and actually insisting on certain export undertakings. But the enforceability of such restrictions is doubtful.

Clearly, the foreign collaborator designs the agreement not only for extorting excessive profits but as an instrument of defence against a losing market. Hence the strict specifications, the control over supply, production and sale, and the restrictions against local adaptation and export — so as to make the process as much import-encouraging and export-discouraging as possible.

As for assimilation of foreign technology, the long queue for renewal of collaboration agreements, even for technology-non-intensive products, told its own tale. Evidently in India foreign collaboration has been considered as a perennial source of technology. The same point was also borne out by the striking observation that the extent of R and D by industry, extremely low as it was in general in India, was least or absent in collaboration ventures. R and D, if any, or technical consultancy in in these ventures was mostly a foreign responsibility for which a special fee had to be paid.

Overall Evaluation

The balance-sheet of foreign exchange transactions in private foreign collaboration remained negative throughout the second and third plan periods. (Payment of dividends was Rs 128 and Rs 163 crores and of royalty and technical fees Rs 37 and Rs 74 crores; while net foreign exchange inflow was only Rs 109 and Rs 160 crores during the two periods, respectively.) The servicing burden (service payments as a percentage of total export earnings) in fact rose from 5.4 per cent in the second plan to 6.6 per cent in the third plan period. As for export earnings these were on an average only 8 per cent of production, which was insufficient to cover the service payment and the current import. Actually an increasing proportion of traditional export earnings was absorbed in servicing the new private foreign investment.

Summing up, despite substantial growth, private foreign investment helped only marginally in bridging the saving-investment gap or in reducing the foreign-exchange constraint. Existing firms grew mostly by mobilising local resources through reinvestment while newcomers acquired ownership rights in lieu of machinery, knowhow and services, keeping the commitment of funds to a minimum. Even initial import of capital goods had to be financed largely through other loans. The joint-venture became the organisation of choice, but foreign control was not significantly diminished thereby, especially in chosen technology-intensive fields. The profit-extracting terms of collaboration and the high profitability in the sheltered monopolistic market raised foreign-exchange outflow, which together with the import-encouraging and export-discouraging terms of collaboration put a heavy pressure on the balance of payments. As a matter of fact despite domestic manufacture, foreign collaborators were generally able to maintain or even improve upon their erstwhile export market in India.

The terms of agreements also effectively prevented the local adaptation and assimilation of technology and inhibited utilisation of indigenous technology. The whole process discouraged local innovation and made the entire industrialisation process costly and inefficient.

Another very important social cost has been the growth of monopolies and concentration. The Indian market was characterised by both product-wise concentration (market monopoly of a product item) and country-wise concentration (assets size of business). Both these were closely correlated with foreign investment/collaboration. Foreign subsidiaries were usually dominant undertakings in the fields of their operation; likewise most of the top companies and big business groups in the country had foreign investment/collaboration. The reason for this association is that in the background of foreign-exchange being scarce and industrial knowhow being monopolised by foreign companies under patent cover, foreign investment/collaboration becomes an important determinant of entry into industry; and in the context of the small Indian market, such groups exhaust the licensable capacity of a product and become monopolies in their fields. The foreign link also facilitates big business to acquire strategic advantages (patent, resources, foreign exchange) and thus diversify and expand.

II

Subrahmanian has of course made several policy suggestions to plug the loopholes revealed in the study but we need not consider them here. It is always possible to work out a set of conditions under which foreign collaboration will work to the best advantage. But the question is whether they are practicable. In the real world social processes proceed not according to abstract desirability but social dynamics. One must then examine, from experience in real life and from *a priori* considerations, whether dependence on foreign capital and technology for a country like India is at all compatible with its all-round development.

Some aspects of the practical experience have been presented competently by Subrahmanian himself. But foreign collaboration is obviously no more than just one aspect of the whole: the model of development based on assistance from abroad. Another aspect of this is foreign 'aid' — the magnitude of which will be better understood from the fact that our current debt servicing charge

on past aid is some Rs 500 crores per year, i e, about 30 per cent of our total export earning. What we need to consider then is the overall impact of this model so far on the country.[2]

What have these assistance and collaboration programmes really built? The pronounced *dualism* in the country provides the answer. That poverty has not decreased by this 'development' process is now widely acknowledged. What has happened is that islands of modernity have sprung up. The spectacular urban developments, luxury hotels, soaring urban land prices, dazzling shopping arcades, the myriad luxury consumer goods, the all-pervasive venal advertisements, the flood of the comic-books and glamour-magazines, the mushrooming institutes of 'higher learning' and 'development studies' and 'management' — all clearly show where the development with foreign assistance has really gone. Besides, it is not that the 'assistance' funds alone have gone to these luxury enclaves; by predetermining the direction of development they have funnelled the bulk of local resources also to the same destination.

The cycle of this distortion has been finally completed by the need of repayment of the aid and collaboration. The resulting need to *export at any cost* has had two consequences.[3] On the one hand it has entailed a net loss to the country in much of the export transactions, payment of huge subsidies and inducements to promote exports, and enormous rackets — the cost of all of which has had to come ultimately from the poverty sector. Secondly it has meant a massive diversion of the country's remaining resources to build the export infrastructure (ports, ships, railways, mines, roads, plantations, fisheries development, free trade zones, transfer of whole plants from abroad).

Clearly, the 'assistance' has automatically set the pattern of economic activity: building luxury enclaves with the 'assistance' and a part of the local resources on the one hand — which has provided a lucrative market for the aid-givers — and mobilising the rest of the economy to pay for it on the other.

This distortion has been reflected in the social sphere as well. Thus the process has totally pre-empted an indigenous development of science and technology, for maintaining a technological market for the rich countries through aid and collaboration is its ultimate motive. Again, despite 25 years' effort promises of primary and adult education remain utterly unfulfilled with 71 per cent people still illiterate, at the very time that 'higher learning' grows and grows (partly for export). Unemployment expands, even among technical people, as development proceeds. And in culture, the top oligarchy (including the intelligentsia) has become more alienated from the society, more Westernised and more profit-seeking than ever before.

Is the process not then in effect a continuation of the process of development of underdevelopment that was set up during the colonial times, indeed a continuation of colonialism in a new garb?

Such are the lessons of experience — not merely in India but in the entire Third World. Surely this experience indicates something, some social force, which cannot be checkmated simply by some legal regulations to plug some loopholes.

Theoretical Considerations

But what about theory? Is development through assistance theoretically tenable? If all poor countries of today were colonies or semicolonies of past and all aid-givers are directly or indirectly ex-colonisers, and if the poverty of one and the affluence of the other are at all interrelated, it is indeed most incongruous to imagine that such a relationship would suddenly change into a beneficiary-benefactor one. Given the utter poverty of the plundered Third World, ringed around with the highly industrialised countries hungry for markets and raw materials (the USA with hardly 8 per cent of the world's population consumes some 40 per cent of the world's current resources), it requires extraordinary imagination indeed to believe that 'aid' from the latter will help the former to become self-sufficient and not more dependent (of course at the cost of a small bribe to the top oligarchy in the form of building some luxury enclaves).

But let us examine the case of technology a little more closely. The theory is being constantly touted that with so much technology already available in the world today it is no longer necessary for the poor countries to go through the initial development process again; they can borrow and leap-frog into a modern stage in one jump. The eternal bait for the trap. Firstly, taking our factor proportions into consideration (the massive population, the huge unemployment, the shortage of capital), much of the sophisticated technology is not only not suitable but absolutely suicidal for us. What we need to start with is widely dispersed, small-scale, capital- and import-saving, labour-intensive techniques of production in as many spheres as possible. This technology is not available anywhere else in the world. It has to be created right here. Secondly, even if it were available, it is not free. Knowledge, specially practical knowledge, is from after the advent of capitalism no longer a common possession of mankind as it used to be but a private commodity for sale. Quite plausibly the cost to purchase it may often be higher than to develop it afresh. Thirdly, who is the buyer? Surely, it is not the 'country' but its tiny Westernised elite who would naturally buy only such technology as would be compatible with its cultural values and economic-psychological aspirations. This, combined with the urge of the technology-seller to sell his most sophisticated and luxury-oriented technology to perpetuate import dependence, would automatically lead to enclave development and eternal dependence as discussed earlier.

Finally, what will borrowed technology achieve anyway? Is development simply a question of applying technology, of making factories and gadgets? Is it technology *per se* that changes society or is it social ferment that brings forth technology? Is it shortage of technology that is the cause of our poverty or is the shortage itself a reflection of institutional distortions? Then will not borrowed technology necessarily remain sterile, in fact reinforce the institutional distortions further?

The theory of leap-frogging with borrowed technology is thus a myth and a trap. As a matter of fact the history of the entire Third World is a living example of this myth. Development after all means a process of self-growth. Its motive power is social ferment, tearing down of institutional barriers, and a release of innovative capacity of the people. Technological revolution cannot be achieved, has never been achieved, without a social revolution. Foreign 'help' will not facilitate but only obstruct such a transformation.

Perhaps a few words on the inevitable popular phrase 'as the example of Japan shows' — Japan is supposed to have shot up into spectacular growth with foreign technology and assistance — are in order before closing.

Firstly, contrary to the myth assiduously built up, Japan was already a highly developed country much before the Second World War. Its development (or whatever it be called) occurred around the turn of the century; it had defeated Russia in 1905. In fact Japan was already a great imperialist country; is had vast colonies (Korea, Taiwan, Manchuria ...) and had fought great world powers for many years and captured many lands during the Second World War. To suggest that its development occurred only in the last two decades (and by implication that it was another India or China before that period) is thus no more than a great triumph of the modern Goebbelsian information technology. No doubt Japan was devastated during the war, but so was Germany (both East and West) or Russia for that matter; its subsequent reconstruction can no more be considered a *de novo* development than that of West Europe or Russia. Now, having already been a developed country earlier, Japan's socio-institutional structures were such as to enable it unlike the ex-colonies (or ex-semi colonies), to assert and utilise any assistance for its own advantage rather than for that of the assister. The aid-givers too knew very well that it would be futile and suicidal to try to keep an already developed capitalistic country as a neo-colony (unlike an ex-colony pre-capitalist country like India, where the incipient capitalists in a semi-feudal structure can do no more than agree to profit-sharing as a junior partner). This is the meaning of the well known fact, for example, that Japan, although going in for large-scale foreign collaboration, spent 4 dollars in R and D for any technology for which it spent 1 dollar in technology import. If such a policy is not followed in India, it is not because of lack of money or of wisdom but because the necessary social force is lacking.

Second, the reconstruction of Japan with genuine aid as a bulwark against China (like that of West Europe against Russia) was considered an essential task in the 'free' world's crusade of 'containing communism'. Third, it must not be forgotten that much of the recent 'miracle' of Japan was the gift of the Korean and Vietnamese wars, in which wars Japan acted simply as the biggest floating warship of the USA.

To claim Japan's admittedly spectacular recent growth (whatever its intrinsic human merit) as proof of the alleged virtues of foreign collaboration is thus a delusion or a deception. Quite the contrary, the glaring distinction between the post-war economic histories of Japan (and Europe) and the Third World is the clearest evidence of when aid helps and when it kills.

There is thus nothing to lament or wonder at India's crippling experience with foreign collaboration, so ably documented by Subrahmanian. Nothing else could have been expected.

Notes

1 See, for instance, Michael Kidron, "Foreign Investments in India" (London, 1965); Keith Buchanan, "South-East Asian World" (London, 1967); Daniel Spencer, "India: Mixed Enterprise and Western Business" (The Hague, 1959); Michael Baratt Brown, "After Imperialism" (London, 1963).

2 For a more detailed discussion on this aspect, see K R Bhattacharya, "Science Policy: Changing the Model", *Seminar*, No 169, September 1973, p 13, and references cited therein.

3 K R Bhattacharya, "India's Exports: A Boon or a Bane?", *Bull ASWI*, January 1973, p 3.

Through Tolerant Western Eyes ...

Jai Nimbkar

The Indian Experiment, Key to Asia's Future, by Giselher Wirsing; Orient Longman; pp 318; Rs 25.

THERE is supposed to be a certain value in books written about India by foreigners: they can approach the subject with greater objectivity than Indians can summon. But more significant is the factor that information and personalities are somehow more accessible to them: foreign, especially West European and American, journalists have always had a more favoured position than Indian journalists in this respect. Giselher Wirsing too had this factor in his favour, as is clear from the numerous references he makes to personal conversations with important personages in the Indian drama.

Assuming that what India is and what it becomes holds the key to Asia's future—an assumption with which some political observers might quarrel—Wirsing examines the content of India's democracy in the light of events over the last two decades. He then attempts to predict its future.

Thus, he analyses some of the internal conflicts and problems: the still-entrenched caste system; the problems of unemployment and the growing educated proletariat; the problem of overpopulation and inadequate food production; the fissiparous tendencies of the states. Balkanisation of India, he asserts, will be the beginning of the end: India can survive as a power only if it can stay integrated and become self-sufficient in food. All this says nothing new, though it is a readable review of India's recent history.

Analysing India's foreign policy which, he says, is determined by its relationships with its neighbours and the exigencies that make it dependent on other nations, Wirsing is able to explain otherwise complex facets of it — such as the whole Kashmir question or India's stand on the Arab-Israel conflict, or the importance of the USSR in our decision-making process.

The author is primarily concerned with whether India will survive as a democracy. India alone among the new countries of Africa and Asia, he says, has the combination of three institutions that has helped and will continue to help it to survive as a democracy. These are an independent judiciary, a bureaucracy with a strong tradition, and a free Press which works without any censorship. Of course, he says that these will not by themselves make India survive. Though India's achievements, in the face of great odds, have been impressive, much more needs to be done. Ultimately it is our own effort which will determine our survival. Wirsing sadly notes that recently there has been a slackening of interest, a shrinking of aid: India still needs help, not in the spirit of charity but because it is in the interests of these countries to keep India a viable democracy!

The author overestimates the position of India as an integrated and more or less neutral country, a stable zone between the crises centres of the Middle East and Indochina. As far as the super-powers are concerned, India's usefulness to them as such has greatly diminished. No doubt, this accounts for the slackening of interest which he mentions earlier. For the same reasons, predicting Asia's future by the part India will play in it, is largely guesswork. China is, Wirsing points out, one big unknown. There is also the American presence in Asia to reckon with. The Americans' presence, the author claims, has a significance far beyond their specific acts. Their complete withdrawal will have a vacuum! Co-operation between India and Japan should fill this vacuum. However, the author admits that this is probably wishful thinking: India and Japan have never had a particularly trustful or friendly relationship with each other. Would the fact that, since the publication of this book, there have been developments which suggest Japan's keenness not to jeopardise its trade relations with China for a not-so-profitable relationship with India, strengthen this doubt?

SPECIAL ARTICLE

D R Gadgil: The Last Phase

A R Kamat

When D R Gadgil accepted the deputy chairmanship of the Planning Commission in 1967, he had already behind him more than 40 years of vigorous activity in economics and in allied fields.

A glance through his writings is enough to convince anyone of the wide range of his work: from industrial evolution and current industrial development, to problems in agriculture and attempts at agricultural reform, to education, the federal problem in India, the Indian Constitution, city and town development, regional planning, to social change, caste and untouchability, social obligations of advanced sections of society, etc.

In each of these and other areas, he laid great stress on the systematic garnering of facts, made careful study of the underlying relationships, and suggested immediate and long-term measures that could be adopted without upsetting the existing framework. Joining the Planning Commission was regarded as a natural culmination of his wide-ranging activities and his long and sustained work on the problems of the Indian economy.

This article attempts a review of the last phase of Gadgil's life when he headed the Planning Commission.

I

PROFESSOR D R Gadgil died on May 3, 1971, the day after he relinquished the deputy chairmanship of the Planning Commission. He had accepted this post on September 1, 1967, at the age of 66. While there have been many obituarial tributes written after his death, there has been no comprehending account of Gadgil's varied ideas and activities spanning more than forty-five years — from 1974 when he returned from Cambridge to 1971 when he died. The only attempt made so far in that direction has been by V M Dandekar in a note which by his own admission gives "a brief ... statement of facts of his career and activities", and makes "no attempt to assess or evaluate his views and achievements";* the concluding paragraph in the slightly revised version published after his death, however, does imply an assessment of his work as Deputy Chairman of the Planning Commission.

Students of economics, and the large number of Gadgil's admirers, have therefore to wait for a fuller and more systematic exposition of his life and work. In this article, I attempt a review of the last phase of his life when he headed the Planning Comsion. I cannot claim to have the benefit of a long or close association with Gadgil, but this has a certain advantage. Having spent the formative years of one's life outside of the orbit of his powerful personality, one might be better placed to take a more dispassionate view of the man and his field, unhampered by the love-hate relationship which often develops for people who have to grow under the shadow of a larger presence.

II

When Gadgil accepted the deputy chairmanship of the Planning Commission in 1967, he had already put behind him more than forty years of vigorous activity in economics and in allied fields. A glance through his writings listed in 'The Making of the Man' (referred to earlier) is enough to convince everyone of the wide range of his works in the field: from industrial evolution in India and current industrial development, to problems in agriculture and attempts at agricultural reform, to education, the federal problem in India, the Indian Constitution, city and town development, regional planning, to social change, caste and untouchability, social obligations of advanced sections of the society, etc. In each of these and others, he laid great stress on the systematic garnering of facts, made careful study of the underlying relationships, and suggested immediate and long-term measures that could be adopted without upsetting the existing framework. He had also served on several committees and in several organisations dealing with many of these questions. Because of the wide compass of his activities and his long and sustained work on the problems of Indian economy, Gadgil had become the acknowledged doyen of Indian economists several years before he was called upon to join the Planning Commission. His joining the Commission was thus regarded as a natural culmination of his academic and extra-academic activities over the previous forty years.

III

Gadgil had already expressed himself on planning and economic development in India before the start of the Five-Year Plans, and had served on the planning organisations of at least three princely states in the Deccan before their merger. After the commencement of the Five-Year Plans planning and economic development in India had been the dominant theme of all his writings and activities. "Planning and Economic Policy in India" was his major publication of this period; it was first published in 1961. The collection consists of several of his essays, speeches, notes and memoranda dealing with the content of planning in India and its results, the planning process, and the planning organisation. His criticism of the planning effort and the economic policy of the Government of India is often trenchant, particularly when it deals with the shortsightedness and political opportunism of the political leadership, the inertia, inefficiency and lackadaisical manner of the bureaucracy, and above all the greed and the garish ostentation of the vested interests and their allies. He pressed for alternative policies, alternative measures, alternative values. This was no academic criticism by an outsider, for during the whole of this period Gadgil was continuously associated with the Planning Commission. He had served on several of its committees, and particularly on the Economists' Panel of which he was Vice-Chairman for several years. In fact, many of his critical exercises on planning in India during these years are notes that were addressed to the Commission and its committees.

In the Working Paper 'Planning Without a Policy Frame', which he wrote for the symposium organised by the National Book Club in New Delhi in December 1966, he underlined the total absence of a policy frame. He suggested that the government deliberately avoided constructing such a frame because of the influence of vested interests in private industry and trade, and because of the belief of the planners that once a given rate of investment is achieved the economy would automatically function satisfactorily without an integrated regulatory framework. Thus, notwithstanding the large numbers of specific controls, which were often unnecessarily complicated and irritating and gave rise to pervading corruption, the economy as a whole actually operated like a *laissez faire* economy, with its benefits accruing mostly to the small minority of the rich and powerful. This had resulted in growing dependence on foreign assistance, an ever-increasing rise in prices, and a worsening inequality in society, affecting seriously not only economic but also political and social stability.

Gadgil suggested an alternative approach, of which the main elements were a price policy and an incomes policy. The main purpose of the price policy was 'to keep inflationary forces in check and price levels stable' and that of the incomes policy 'to stabilise incomes in general, to augment, to the extent possible, the incomes of the disadvantaged, and to curb those of the rich'. The price policy would consist of stabilisation of the price-structure by establishing a comprehensive system of socialised purchase, storage, and sale of a main agricultural commodities, and by arranging a regular minimum supply of essential consumer goods to needy people through a widespread network of retail outlets. For stabilisation of prices of manufactured products it was necessary also to control prices of intermediate and capital goods, through regulated allocation. Gadgil felt that a correct development policy required the establishment of comprehensive price control measures and authorities to enforce them as in a war economy. The incomes policy which he advocated was to stabilise agricultural incomes largely through the stabilisation of agricultural prices, to utilise to the utmost the existing skills and equipment of the rural non-agricultural occupations, and to make the plan employment-oriented for the benefit of the landless rural poor and the mass of the urban poor. Correspondingly, the incomes policy should control through fiscal measures the rising incomes of producers and traders in the advancing sectors of the economy. Gadgil suggested that the private capital market, already diminished, should be further reduced by appropriate fiscal and credit measures and that there should be a closer control on the operation of large-scale private industry for increasing self-reliance on the one hand and for protecting the interests of consumers on the other. For this purpose, he recommended the appointment, and active functioning, of government directors wherever large public investments were made by official and semi-official agencies such as the LIC and the introduction of a system of public audit through the nationalisation of the profession of chartered accountants. Finally, Gadgil advocated decentralisation and dispersal of planning activities so as to take into account the requirements and potentialities of the states, regions and districts. He insisted on the dispersal of industries so as to remove regional imbalances of development.

IV

The paper containing these recommendations for an alternative policy frame was written in December 1966. Gadgil accepted the deputy chairmanship of the Planning Commission eight months later. He was at the helm of the Planning Commission for a period of 44 months. What were his achievements in respect of these ideas of his earlier years during his term of office at the Planning Commission?

Gadgil continued to stress most of what he had said before: stabilisation of prices, building of buffer stocks of the main agricultural commodities, self-reliance (from foreign assistance), restraint of domestic consumption of exportable goods, decentralisation and dispersal of industries, development of small-scale industries, importance of co-operatives in rural development, encouragement to middle and small farmers, welfare of the weaker sections of rural and urban population, planning of metropolitan areas, regional and district planning, etc. The note, "The Fourth Plan: Basic Issues of Objectives and Strategy" and its further crystallisation into "The Approach to the Fourth Five-Year Plan" spell out his basic formulations during this period. These are again reflected in the first two chapters of the subsequent document of the Planning Commission, "The Fourth Five-Year Plan". Gadgil wanted the intelligentsia in the country to discuss these ideas, to react to them.

However, in the writings and speeches of this period one does not find Gadgil's former insistence on the policy frame and the regulatory framework required for planning. Nor does one find traces of his earlier incisive and insistent criticism of the government, the political leadership, the bureaucracy, and the vested interests. This change is not unexpected. In his new position, he was no less a part of the establishment. After joining the Commission his views appear to have lost their sharp edge, at least in their public expression. As chief of the Planning Commission, he must have thought that public controversy on the policy frame and regulatory framework would not be in order. It was now for him and the Commission to take up these issues with the government, and to exercise their powers of persuasion on these issues. At the same time, he would try to create public opinion favourable to his views by placing them before a wider audience in a form and in style which would not be incompatible with his new responsibility.

The proposals in the Fourth Plan

* See: "Dhananjaya Ramchandra Gadgil: Making of the Man", by V M Dandekar, Gokhale Institute, Poona (1967) and its updated version, 'Dhananjaya Ramchandra Gadgil (1901-1971)' in *Artha Vijnana*, Volume 13, No 2, pp i-xxiv. The other systematic attempts known to the present author are: (i) "Gadgil and the Economics of Indian Democracy", by S A Dange, Peoples Publishing House (June 1971) (ii) 'Professor Dhananjaya Ramchandra Gadgil', (in Marathi), by Kshiti Mohan Mukherjee in *Samaj Prabodhan Patrika*, May-June 1972; (iii) the preface to the volume of Gadgil's Marathi writings by Sulabha Brahme; and (iv) an unpublished paper by N V Sovani. The first numbered written immediately after Gadgil's death, is based on his earlier writings on planning, and in it Dange tries to establish that Gadgil's ideas on planning have the content of 'revolutionary democracy'. The second, a Marathi article, gives the author's impressions and evaluation of Gadgil as an economist, a social scientist and the head of Gokhale Institute. The third summarises Gadgil's thought as expressed in his Marathi writings. The fourth, as yet unpublished, is reported to be a comprehensive appreciation of Gadgil's personality, ideas and activities. Sovani's long and close association with Gadgil is expected to make it authentic and authoritative.

do not appear strikingly different from those in the three earlier Plans. Perhaps this was because the Plan was prepared in the initial period of his tenure, and it could not be easy for an organisation like the Planning Commission to shake off its past legacy. It seems his views on stabilisation of agricultural prices, through building up of buffer stocks, did have some effect on government policy — in that, during the last years of the PL-480 programme, stocks began to be maintained with imported wheat and through purchase of local wheat during good harvests. The measures, however, were nowhere like the socialisation of purchase, storage, and sale of the marketable surplus of major agricultural commodities — which is what Gadgil had earlier advocated. (Recent experience has underlined the political pressures rendering ineffective the prices recommended by the Agricultural Prices Commission, the total inadequacy of stocks to tide over a lean year, and the extremely unsatisfactory working of the Food Corporation of India.) Gadgil's presence in the Planning Commission does not seem to have made any appreciable impact on governmental policies — whether industrial, fiscal, monetary, or financial. He was evidently unable to move the government towards accepting an adequate price incomes policy, let alone making them accept the imperative of an overall policy frame and regulatory framework for achieving their oft-proclaimed objectives.

Nevertheless, there were a few notable achievements which, though peripheral, have a long-term significance for planning in India. The most important of these is the introduction by Gadgil of an element of objectivity in the Centre's financial assistance to the states' plans. Formerly, there was a multiplicity of specific plan programmes with elaborate rules and regulations governing Central assistance. The procedure generally favoured the relatively better-off states. Moreover, the state plans were often the result of bargaining which took place between the Chief Ministers and the Deputy Chairman of the Planning Commission before the finalisation of the Five-Year Plan. With the agreement of the states, Gadgil discontinued this practice. Instead, a block grant was to be made to each state on the basis of the plan it had prepared and the resources it could muster; this block grant was to depend on a set of previously defined criteria. This made a substantial difference to the economically backward states as 10 per cent of the Central assistance was initially set apart for distribution to the states with a per capita income lower than the national average. Secondly, the regional and district approach to planning, which Gadgil had always advocated, began to take root; some states like Kerala established their own planning commissions or planning boards. At the same time, a beginning was made in evolving special programmes for the development of backward areas (e g, development plans for backward districts and for providing employment to the weaker sections of society (e g, the Page scheme in Maharashtra).

A noticeable change also came about in the functioning and style of work of the Planning Commission under the stewardship of Gadgil. The earlier Planning Commissions had hardly ever worked as a united team towards a common purpose. The members had not only differences amongst themselves but each one of them felt free to think and work in his own way, and often sought prominence and publicity for himself and his views. For the first time, Gadgil was allowed to select his own team. The Planning Commission now worked more or less like a unified group and very often it was the Deputy Chairman who was their only spokesman. Secondly, Gadgil dissolved the plethora of working groups and committees which had grown around the Commission and he kept down the number of such committees to the minimum necessary for its efficient functioning. During the Second and Third Five-Year Plans the Planning Commission had managed to acquire certain executive responsibilities for supervision of a large number of specific plan schemes for which finance was allocated by the Commission. These executive activities were drastically cut down by Gadgil who was of the view that the work of the Planning Commission should be primarily of an advisory character. The Administrative Reforms Committee had proposed reorganisation of the Planning Commission; Gadgil did not take any steps in that direction beyond appointing another committee in the Commission. It is an interesting aside that, in accepting the post of the Deputy Chairman, he had acted against one of his own proposals for reorganising the Commission — *viz*, that the person 'should be, by preference, an administrator of wide experience'!

V

This brief description of Gadgil's views on Indian planning before he joined the Planning Commission and of his actions during his tenure, is relatively easy. What is a lot more difficult and likely to prove controversial is any attempt to understand, interpret and assess this last phase of his career. This is attempted below, not without some hesitation. The hesitation is mainly in the area of understanding, but it inevitably spills over to other areas. It is difficult to come across any intimate or close friends with whom Gadgil had exchanged confidences, either in personal letters or in conversation, during this period. In an attempt to understand the important decisions which he had to take in this period, one has to depend on the impressions of some of his associates and people around him, on the developments in the country, and on the general make-up of his personality as one knew him through the years.

There have been similar attempts by others. For instance, the veteran communist leader, S A Dange, in a tribute written within a month of Gadgil's death, discovers the content of 'revolutionary democracy' in Gadgil's views on Indian economic development; he avers that it was because of this that the present ruling circles and the vested interests in the country would not allow him to continue any longer in such a leading position. Others, like V M Dandekar, have observed that he failed to deliver the goods he had promised, that he was reluctant to try and put into practice what he had preached earlier. It has also been suggested that the reasons possibly included the fact of his old age, or latent conservatism, or political miscalculation. Perhaps these were more like *obiter dicta* since they did not take into account his complex personality nor the character of the objective situation in which he operated. What is required is closer analysis of the personality and the situation, taken together. For this purpose, one has to formulate a different set of questions and seek answers to them.

The questions which, in my opinion, are more relevant — than his success or failure in the Planning Commission — are: What were the considerations of the ruling Congress circles in inviting Gadgil to head the Planning Commission in 1967? What considerations could have weighed with him in accepting the post even when that meant staking his life-time's reputation? Did his views on planning and economic development in India change a great deal after he joined the Planning Commission? Could he have performed substantially better than he actually did? Could his policies and programmes be pushed substantially further or harder in the prevailing situation? How does one characterise Gadgil and his performance, in those 44 months? Why did the ruling circles dispense with his services before the end of his five-year term when they had themselves solicited for them four years earlier? Should he have resigned earlier? These and other related questions, I think, are much more relevant than mere judgment on Gadgil's success or failure in the Planning Commission. The questions may appear unnecessarily elaborative; but their formulation has helped me towards a more satisfactory understanding of this last phase of Gadgil's life.

VI

Let us recall the economic and political situation in the country in 1967 when Gadgil was approached to head the Planning Commission. The years from 1962 onwards were difficult years for Indian planning. Two wars with neighbouring countries, the subsequent large budgetary allocations for defence, and two successive years (1965-67) of drought, created enormous strains for the country's economy. The policy of relying heavily on foreign assistance and PL-480 supplies for economic development was coming home to roost. The growing burden of loan-repayment and interest, the shortfall in exports, the deterioration in the balance-of-payments position, and the ever-mounting inflation, had resulted in a situation where economic development had almost come to a standstill.

The infructuous economic policies and programmes of the period came to be associated in the public mind with Asoka Mehta and C Subramaniam, who were also thought to have been mainly responsible for the devaluation of 1966 — a decision which was believed to have been forced on India by her creditors. Mehta, with his usual sophistications was pleading for more foreign aid, further foreign investment, and 'back-seat driving' by American interests. Moreover, big business in India and its spokesmen, inside and outside of the Congress, were openly clamouring for calling a halt to developmental planning; the slogans ranged from a plan holiday to its total scrapping. Planning had almost become an ugly phrase.

All this had a major impact on the political climate in the country. Political opposition, from the Right and the Left, held the ruling Congress party responsible for the predicament of the country. Anti-Congressism became the order of the day. In the 1967 general elections, the Congress which had enjoyed an unbroken spell of power for 20 years over most of the country got a rude knocking at the hands of the electorate. Its majority in the parliament was eroded, and in a number of states non-Congress ministries came to power: Communist-led coalitions in Kerala and Bengal, the DMK in Madras, the Swatantra-led coalition in Orissa, and motley groups of the Right and Left joining hands to form governments in Bihar and UP. The Congress party itself, which had considerably lost its binding force after the death of Nehru in 1964 and of Shastri in 1966, was subject to opposing political pulls and pressures, and was in a state of uneasy balance. Indira Gandhi, who owed her leading position as the Prime Minister to the Kamaraj method of consensus, was yet without a specific image of her own and without decisive political influence within or without the party.

In this situation, when the very idea of planning had come into disrepute and formidable forces were poised within and without the party to discard it altogether, in the conditions of political disequilibrium in the states and at the Centre, the ruling circles in Delhi were badly in need of a man who, as the head of the Planning Commission, could revive some of the confidence in, and credibility of, planning. After the utter bankruptcy of Asoka Mehta and his associates who had been earlier in the saddle, nomination of a Congress politician to the post would be to invite immediate hostility and bitter criticism from all quarters and particularly from the Left. It was against this background that it was proposed to approach Gadgil, a proposal which met with the approval of the Prime Minister and which had firm personal support of Morarji Desai who was then Finance Minister and Deputy Prime Minister. Others, who had given little thought to the reorganisation of the Planning Commission or who were unenthusiastic about or hostile to planning, acquiesced. A future colleague of Gadgil, who was then close to the Prime Minister, is also said to have played a significant role in this respect.

The Congress leaders — or, to be precise, those amongst them who wanted to salvage development planning — could not have made a better choice. Here was a man of great personal integrity and detachment, well known for his concern for the common man, esteemed by the country's economists, respected by the opposition parties (particularly of the Left), acceptable to the non-Congress governments in the states, respected (and also feared to some extent) by the bureaucracy, and yet completely above party politics. He was sure to bring a great deal of prestige and dignity to the high office he was invited to accept. True, he had been a persistent, and often bitter, critic of government policies for all these years, and he had projected 'radical' views. Such a background in fact had a certain advantage in the prevailing situation. On the other hand, for all his criticism, Gadgil was not a doctrinnaire Left intellectual and certainly not a 'revolutionary'. He would work within the four corners of the established framework, and was not likely to cause uncomfortable jolts — let alone try to upset the apple-cart.

VII

Gadgil accepted the invitation and joined the Planning Commission as Deputy Chairman in September 1967. He was then 66 — in the last lap of any ordinarily active life. Although he had relinquished the directorship of the Gokhale Institute a year earlier he was still Professor Emeritus in the Institute, Vice-Chancellor of the Poona University, Member of the Rajya Sabha, Chairman of the Maharashtra State Co-operative Bank, President of the Federation of All-India State Co-operative Banks, etc. He thus had to choose between continuing in this way and assuming an altogether new and far more onerous responsibility. Why did he opt for the latter and the attendant risk that he may not be able to live up to his reputation? I think he did so out of a strong sense of duty and because of his firm faith in action. Although he had always deliberately precluded political activity from his field of operation, he was not an ivory-tower academician. For him, "a [true] man of learning was one [who matched it] with action". Here was a call for action, a call which challenged him to try and put into practice what he had been preaching all these years. It was also a call of duty: he was called upon by the situation to resurrect the public faith in development planning when the very idea of planning had become an anathema and when all the imaginable ills of the country were placed at its doorstep. There must also have been another factor to reckon with. If he spurned the offer, he must have felt, it would have amounted to exposing himself to the charge that he was an idle critic who, when the time came, refused to shoulder responsibility.

The political situation, described above, must have also weighed with Gadgil. With the loosening of the Congress hold on the country's politics and prospects of a further development in the same direction, it must have seemed that there was an opportunity for the Planning Commission to assume an independent role and greater advisory impact which he had all along visualised for it. The Commission could

now offer expert advice to the Centre and the states on the one hand, and educate the public about planning policies on the other. The very fact that he, a life-long critic of the government, was being invited to take charge of planning and was being allowed to choose his own colleagues on the Commission could be taken as sufficient indication of the feasibility of this process. True, he would be required to work with Morarji Desai who, as the Finance Minister, would be the most proximate to him from the cabinet. But Morarji's obduracy and conservatism were likely to be neutralised by the oppositional forces in the situation; on the other hand his (Morarji's) stubborn reliability might well prove an asset in pushing Gadgil's policy proposals. Such an opportunity to give a new orientation to Indian planning would not repeat — certainly not for him, because he was already on the last stretch of the long road.

Obviously, Gadgil did not think his mission would end in total failure; otherwise it is inconceivable that he would have joined. On the other hand, the realist in him must have realised that there was no chance of achieving resounding success at Delhi. A man such as Gadgil would be satisfied if the economic policies of the country under planning would start to move in the correct direction. If things did not work out in this way he was still free to give up and return to his old pursuits.

VIII

So Gadgil joined the Planning Commission. His appointment provoked a rash of bitter criticism in the so-called national Press. The Left was generally more hopeful and expectant. Many of his admirers wished him well and some, doubtful about the outcome, kept their fingers crossed. Gadgil chose his colleagues, did the initial pruning of the organisation, and sat down to take stock of the situation and to formulate the new guidelines. The guidelines appeared in May 1968, in the form of the Approach Paper which he caused to be widely discussed. He himself spoke and wrote about it to different official and non-official audiences in the country. This was followed, a year later, by the Fourth Five-Year Plan document and its revision in March 1970. By 1969, the legacy of the Asoka Mehta-Subramaniam period was mostly wiped off; agricultural production was looking up thanks to the success of hybrid varieties in wheat and two successive years of good monsoon. Now one could have expected Gadgil to push forward his policy proposals.

However, all of a sudden, a mighty political storm started to blow in altogether unexpected quarters.

From June 1969, there was a convulsive struggle within the Congress party itself. Starting from the Bangalore session of the All-India Congress Committee in June, when Indira Gandhi made her first decisive move through the election of Giri — a non-Congress candidate — as President of India, the struggle ended in a vertical split through the party by the end of the year. The majority section grouped around the Prime Minister and the old guard or the 'Syndicate' organised itself into a separate party. In the process, Morarji Desai found himself stripped of his finance portfolio and lost his dominant position at the Centre. Indira Gandhi acquired a new charisma and a halo of radicalism, which was heightened by the bank nationalisation and the emerging slogan of *garibi hatao*. In the two years after March 1967, non-Congress politics in the states had also come to a stalemate. Now, with the split in the Congress, some of the non-Congress parties — Left and Left of the Centre — helped Indira Gandhi to remain on her uneasy perch as Prime Minister. Consolidating her position in the Congress and in the country and forging a measure of understanding with some non-Congress allies, she decided to risk a mid-term dissolution of parliament and in March 1971 went to the electorate with a radical manifesto for a fresh mandate. The Congress of Indira Gandhi was returned by the electorate with a huge majority in the House, and the Syndicate Congress and other parties, which had formed the so-called 'Grand Alliance', were completely routed.

Immediately after the Congress of Indira Gandhi won its thumping majority in parliament, hopes were revived that at last the ruling circles in Delhi, unfettered by internal opposition, would adopt a radical policy-frame and regulatory measures for fulfilling their election promise of a rapid and more egalitarian economic development.

But, even before the clanging about of the electoral victory had subsided, the news arrived that Gadgil — the outstanding exponent of precisely such economic development — had been asked to resign. The sudden termination of Gadgil's services, 16 months before the stipulated term of five years, came as a rude surprise to many. Gadgil himself was taken completely unawares, and considered it a virtual dismissal. The ruling party seemed in almost indecent hurry to place its own brand of men everywhere — including in the Planning Commission.

IX

What had happened that rendered Gadgil 'unsuited' to the Indira Congress requirements? Earlier, we have summed up briefly Gadgil's achievements during his tenure in the Planning Commission relative to the high expectations aroused by his appointment. His formulations on planning at this time had, we pointed out, lost their earlier sharpness. His colleague, the late Pitambar Pant, explained this change to me as follows: After joining the Planning Commission, Gadgil found that some of his earlier criticism of planning and working of the Commission were not well-informed, but were often vague; he was a realist and believed in hard work; during his first six months at the Commission he carefully studied the many volumes by the World Bank on India; although he did not always accept their conclusions, he modified his own ideas in the light of the reports and used the analysis in concretising plan policies and proposals; in short, Gadgil accepted the parameters of the existing situation as they now appeared to him.

It is clear, however, that he did not succeed in persuading the government to accept — even in the modified version a definite policy-frame and the regulatory framework required to enforce the policy measures flowing from the policy-frame. Moreover, his planning proposals, too, often appear to lack definiteness and detailed treatment (e g, industrial policy, land reform, and employment policy). Perhaps this could be traced to a fundamental weakness in his earlier criticisms which had been concerned more with the distributional aspect of the economy than with its production aspect and its production relations. It is also possible that he did not think it worthwhile to make detailed proposals until the government had accepted and resolved to implement the broad policy-frame. But it may be surmised from the Planning Commission's refusal to approve the small-car manufacture and its rejection of the big Mithapur project that Gadgil's basic thinking had not altered substantially.

X

Gadgil's economic model had elements making for an anti-imperialist, anti-feudal, and anti-monopolist weightage in development, linked with egalitarian humanist values amounting to concern for the weaker sections of society. His view of the Indian socio-economic progress was essentially that of a moderately radical upper-middle-class intellectual who takes for granted the existing social framework of capitalist growth with State help and intervention. Progress and transition had to be achieved in conditions of economic and political stability, and at a pace consistent with that stability — by means of hard work, self-discipline, and thrift, both individual and collective. It is well known that Gadgil was full of appreciation for Japan and Japanese economic transformation. Thus his model is that of early (non-monopolist) capitalism, with its puritan ethic of frugality, and carrying with it modern ideas of social welfare adapted to Indian conditions and traditional Hindu ethic. The socio-economic transition were to be brought about in the four corners of the present framework which would be stretched out in the process especially to accommodate its humanistic aspects.

Let me clarify that this is not how Gadgil himself described his model of socio-economic transition in India. In fact, he has nowhere elaborated any well-organised statement of his concept of the Indian economic and social development. His ideas appear to be of a 'reactive' character — in that, he appears to react to specific economic and social problems rather than to deal with them as different facets of a single whole.

This, perhaps, explains why Gadgil does not use the word 'socialism' in most of his writings. He was conscious that what he was talking about was certainly not socialism. His conscious distance from active politics and political parties, must have been another reason for his scrupulous avoidance of the word which should indicate an ideological or political commitment. I suspect that this was also why his formulations — despite their seemingly radical objectives — were vague, lacked internal organisation, and betrayed a piecemeal approach. Had he set about to introduce order and organisation in their formulation they might soon have pointed to contradiction with the existing framework and landed him outside the limits of middle-class radicalism. That would have affected considerably the role in which he visualised himself: the role of an active adviser to the established order in its professed commitment to socio-economic change Perhaps if the Left forces in the country had been far more powerful and organised, it might have helped to make Gadgil's views more precise, more integrated, and more well-articulated.

XI

It is now possible to comprehend Gadgil's unceremonious departure from the Planning Commission. Basically, after the Congress had regained its erstwhile power at the Centre, and with the prospects of its doing so in the states, the ruling circles in Delhi had no use of Gadgil. There was a record harvest of foodgrains and electoral votes: the extremist forces on the Right and the Left had been curbed; the ruling circles no longer needed an 'outsider' as head of the Planning Commission. On the other hand, his detached unmanipulable presence in such a strategic position might have become troublesome. He had, in effect, served the intended purpose of saving the citadels of capitalist planning from the onslaughts of the fringe on the Right. He had now to make a hurried exit.

In any case, it is to be expected that the political party in power should prefer to have its own man as chief of its planning arm. Gadgil's model of an expert, wise, detached man of integrity with an advisory role in planning is untenable. The head of the planning effort is, after all, a politically significant position. In socialist countries, or in those under a committed Left leadership, the planning chief has to be a man of their own party, standing for rapid economic development and equally rapid socio-political transformation. In developing countries like India also, with planning essentially on capitalist lines, ruling circles must have their own man as chief of planning. It is only in the more or less stabilised politics of a developed capitalist country that a non-party person may be in charge of economic planning.

In the long run, Gadgil was clearly out of place in the emerging situation after the 1971 parliamentary election. It may be argued, however, that Indira Gandhi acted without foresight in removing him before his term was over. Subramaniam, who was brought in to succeed Gadgil in the Planning Commission had to be eased out within a year — almost as unceremoniously as Asoka Mehta was in 1967. By retaining him for his full term Indira Gandhi might have been able to demonstrate a gracious non-partisan attitude. On the other hand, that Gadgil did not foresee the possibility of his removal is just another illustration of the area of political capacity in his otherwise clear and logical thinking. It was this opacity again that at least partly explains his standing antipathy to almost everything that the National Congress, Gandhi, and Nehru had advocated or done; and his critical attitude in this respect was not always based on a reasoned valuation of their policies. Its expressive vehemence almost smacked of personal envy and animosity.

Yet, why did he not think of resigning earlier in his term of office as Vice Chairman of the Planning Commission, particularly since he was making little headway in giving a new major direction to the planning and economic policies of the country? After all, he was greatly vexed to see the sordid political infighting in the ruling party and also by the prospects of instability following the Congress split. He was also sick of the ostentation and callousness in the political and social life of Delhi. The physical comforts of that life did not hold much attraction for him. The last couple of years had also been difficult ones in his personal life: a tragic bereavement in the family, the distressing state of affairs in the Gokhale Institute, and his own heart attack in December 1969 that laid him down for four months.

It seems to me that serious thoughts about resigning could have come to him only after the preparation of the Fourth Plan. Two years in the Commission were necessary to form a fair assessment of his effectiveness in the post. And, before he completed the two years, came the split in the Congress party with the possibility of the political disequilibrium precipitating a veritable chaos. Gadgil would not have liked to contribute to this by leaving his post in the midst of a storm; he would rather stay on and make sure that at least the planning pillar remained undamaged. In the first two years his only rapport was with the Finance Minister, Morarji Desai. In the post-Morarji period, it seems he felt that the Prime Minister was well-disposed towards him and wanted him to stay on. After the winds of election began to blow in October 1970, it was inopportune to submit his resignation. If Indira Gandhi, with her radical slogans, won a stable majority, she might like to implement her promises and so to accept many of his policy prescriptions. If she did not regain stability, the same old disequilibrium would continue in which case she might lean further Leftward. In either case there were better chances of his maintaining an independent position. After the elections in which Indira Gandhi was returned to parliament with an overwhelming majority, he had evidently planned to meet her and submit fresh proposals. If these were not accepted, he had intended to resign. He did not realise that the powers that be did not need him any longer. Despite all his knowledge, erudition, wisdom, and logical thinking, he could not anticipate, and save himself from, this final mortification.

Note

[The author was greatly benefited in writing this appreciation by useful personal discussions with the late Pitambar Pant, M V Desai, Sulabha Brahme, and H K Paranjape, whose co-operation is gratefully acknowledged. The author alone is responsible for the views and opinions expressed in the article and for the errors of fact which may have crept in.]

CANARA BANK

BALANCE SHEET AS AT 31st DECEMBER 1973

1972		CAPITAL AND LIABILITIES			1973	
Rs. P.	Rs. P.		Rs. P.	Rs. P.	Rs. P.	Rs. P.
1,75,00,000.00		**1. CAPITAL** **PAID UP CAPITAL** (Wholly owned by the Central Government)				1,75,00,000.00
		2. RESERVE FUND AND OTHER RESERVES :				
	2,38,31,500.00	(a) Reserve Fund		2,68,31,500.00		
	30,00,000.00	*Add* : Transfer from Profits for the year		31,68,500.00		
	2,68,31,500.00			3,00,00,000.00		
	48,500.00	(b) Reserve for Development Rebate	48,500.00			
	—	*Less* : Transfer to Profit and Loss Account	48,500.00	NIL		
2,68,80,000.00						3,00,00,000.00
		3. DEPOSITS AND OTHER ACCOUNTS :				
		Fixed Deposits (Includes Janapriya, Cumulative, Recurring, Nithya Nidhi and Kisan Deposits)				
		From Banks :	9,56,64,404.91			
		From Others :	223,34,91,562.76			
	189,04,90,939.65			232,91,55,967.67		
	92,24,51,343.87	Savings Bank Deposits		119,17,01,372.50		
		Current Accounts, Contingency Accounts, etc.				
		From Bank :	6,10,79,349.41			
		From Others :	85,78,59,557.07			
	84,00,15,749.39			91,89,38,906.48		
365,29,58,032.91						443,97,96,246.65
		4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.				
	1,20,43,072.00	(i) In India		19,84,14,697.00		
	NIL	(ii) Outside India		NIL		
1,20,43,072.00						19,84,14,697.00
		PARTICULARS :				
	13,29,800.00	(1) Secured (Under the Refinance Scheme of Industrial Development Bank of India as per contra)		3,24,000.00		
		(2) Unsecured :				
	1,07,13,272.00	(i) Under the Refinance Scheme of Industrial Development Bank of India per contra		1,16,70,697.00		
	NIL	(ii) From Reserve Bank of India		10,00,00,000.00		
	NIL	(iii) From Others		8,64,20,000.00		
	1,20,43,072.00			19,84,14,697.00		
5,08,91,591.05		**5. BILLS PAYABLE**				7,56,26,109.16
		6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :				
	23,00,66,460.06	(i) Payable in India		30,15,78,586.15		
	2,66,18,436.57	(ii) Payable outside India		2,30,43,637.16		
25,66,84,896.63						32,46,22,223.31

(*Continued overleaf*)

1972		PROPERTY AND ASSETS			1973	
Rs. P.	Rs. P.		Rs. P.	Rs. P.	Rs. P.	Rs. P.
		1. CASH :				
25,42,90,780.86		In hand and with Reserve Bank and State Bank of India (Including Foreign Currency Notes)				40,19,65,816.27
		2. BALANCES WITH OTHER BANKS:				
	1,79,73,986.97	(a) In Current Account :				
	94,24,810.37	(i) In India			1,24,30,548.26	
	15,50,00,000.00	(ii) Outside India			1,14,60,934.89	
	NIL	(b) In Deposit Account :				
18,23,98,797.34		(i) In India			50,00,000.00	
		(ii) Outside India			NIL	
						2,88,91,483.15
3,00,00,000.00		**3. MONEY AT CALL AND SHORT NOTICE**				1,05,00,000.00
		4. INVESTMENTS (BELOW MARKET VALUE)				
	102,48,90,075.94	(i) Securities of the Central and State Governments and other Trustee Securities			141,62,76,205.41	
	37,14,807.28	(ii) Shares :				
	40,12,500.00	(a) Equity - Fully paid			29,69,505.93	
	1,20,368.49	(b) Equity - Partly paid			41,21,574.00	
	62,500.00	(c) Preference - Fully paid			1,10,960.72	
	1,75,53,717.42	(d) Preference - Partly paid			1,89,000.00	
	NIL	(iii) Debentures			4,03,93,945.13	
	NIL	(iv) Other Investments			NIL	
105,03,53,969.13		(v) Gold			NIL	
						146,40,61,191.19
		5. ADVANCES:				
		(Other than Bad and Doubtful Debts for which provision has been made to the satisfaction of the Auditors)				
		(i) Loans, Cash Credits, Overdrafts, etc.,				
		1. In India [includes medium term advances of Rs. 1,19,94,697.00 (Previous year Rs. 1,20,43,072.00) refinanced by the Industrial Development Bank of India as per contra]			236,10,80,247.38	
	177,04,76,306.93	2. Outside India			NIL	
	NIL					
	177,04,76,306.93				236,10,80,247.38	
	42,27,84,881.78	(ii) Bills discounted and purchased :				
	6,47,81,955.07	1. Payable in India			38,50,62,913.15	
225,80,43,143.78		2. Payable outside India			7,53,18,174.09	
						282,14,61,334.62
		(Particulars of advances set out in separate Schedule attached to and forming part of this Balance Sheet)				
		6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA :				
	23,00,66,460.06	(i) Payable in India			30,15,78,586.15	
	2,66,18,436.57	(ii) Payable outside India			2,30,43,637.16	
25,66,84,896.63						32,46,22,223.31

(*Continued overleaf*)

CANARA BANK

BALANCE SHEET AS AT 31st DECEMBER 1973

1972 Rs. P.	1972 Rs. P.	CAPITAL AND LIABILITIES	1973 Rs. P.	1973 Rs. P.
		7. OTHER LIABILITIES :		
	1,07,39,647.35	(i) Rebate on Bills	1,67,86,453.59	
	5,82,70,464.67	(ii) Others	8,26,55,642.37	
	27,14,341.48	(iii) Liability on account of assets taken for collection from Taken-over Banks per contra	26,94,967.52	
	5,81,36,593.56	(iv) Inter Branch/Office adjustments	NIL	
12,98,61,047.06				10,21,37,063.48
19,73,49,996.23		**8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA**		27,46,76,535.27
		9. PROFIT AND LOSS ACCOUNT :		
	1,45,97,598.62	Profit for the year	1,46,60,477.79	
	NIL	*Add* : Transfer from Reserve for Development Rebate	48,500.00	
	1,45,97,598.62		1,47,08,977.79	
	30,00,000.00	*Less* : Transfer to Reserve Fund in terms of Section 17 of Banking Regulation Act, 1949	31,68,500.00	
	88,97,000.00	Provision for Bonus to Staff	92,00,000.00	
	1,18,97,000.00		1,23,68,500.00	
27,00,598.62		Balance being amount to be transferred to Central Government under Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.		23,40,477.79
		10. CONTINGENT LIABILITIES :		
	15,09,799.52	(i) Claims against the Bank not acknowledged as debts : .. .. .. There is in addition a claim for Rs. 1,250.00 p.m. from 1-9-69 for life from the Ex-General Manager of Canara Bank Limited.	17,74,377.31	
		(ii) Letters of Guarantee given :		
	26,86,91,549.70	(a) On behalf of Constituents	33,56,39,662.97	
	1,650.00	(b) On behalf of Directors or Officers	NIL	
	8,92,02,744.31	(iii) Bills of Exchange rediscounted	14,64,22,799.36	
	33,35,39,307.22	(iv) Outstanding Forward Exchange Contracts ..	34,10,25,104.70	
	54,75,000.00	(v) On partly paid-up Shares and Debentures ..	38,54,500.00	
	2,700.00	(vi) Others	3,825.00	
	NIL	(vii) In respect of advances assigned under Participation Certificate Scheme	55,00,000.00	
434,68,69,234.50		TOTAL		546,51,13,352.66

NOTE :-

(1) Bank has entered into agreement for sale in respect of property at Mandvi, Bombay, having book value of Rs. 1,53,615.49 included under premises.

(2) The actual amount of liability arising from future gratuities payable to staff is being ascertained. Provision has however been made for the accruing liability on an approximate basis.

(3) There are old and current differences or unadjusted items remaining to be cleared at certain branches in respect of : (a) Balancing of General Ledgers with Subsidiary Ledgers; (b) Clearing Differences; (c) Bills under Collection; and (d) D.Ds paid without advice. Continuing steps are being taken to reconcile and/or locate the old items and/or differences and/or make appropriate adjustments therefor.

HEAD OFFICE :
BANGALORE-2.
Jyaista 3, 1896
Dated: May 24, 1974

B. VITTAL BALIGA
CHIEF ACCOUNTANT

C. S. SUBRAMANIAM
V. P. KAMATH
S. R. THAKUR
DIRECTORS

1972 Rs. P.	1972 Rs. P.	PROPERTY AND ASSETS	1973 Rs. P.	1973 Rs. P.
19,73,49,996.23		**7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA :**		27,46,76,535.27
		8. PREMISES LESS DEPRECIATION :		
	93,17,028.53	Original Cost	95,92,172.56	
	2,75,144.03	Additions during the year	2,28,591.27	
	95,92,172.56		98,20,763.83	
	NIL	Deductions during the year	25,321.85	
	95,92,172.56		97,95,441.98	
	21,51,274.84	Depreciation written off to-date	23,46,993.17	
74,40,897.72				74,48,448.81
		9. FURNITURE AND FIXTURES LESS DEPRECIATION :		
	3,00,17,331.15	Original Cost	3,82,63,365.95	
	86,62,518.07	Additions during the year	86,38,736.99	
	3,86,79,849.22		4,69,02,102.94	
	4,16,483.27	Deductions during the year	5,02,759.94	
	3,82,63,365.95		4,63,99,343.00	
	1,49,30,166.61	Less : Depreciation written off to-date	1,88,18,813.87	
2,33,33,199.34				2,75,80,529.13
		10. OTHER ASSETS :		
	1,61,12,730.89	(i) Interest accrued on investments	2,04,63,903.70	
	70,92,095.09	(ii) Library, Stationery, Stamps etc., ...	87,21,253.03	
	3,25,49,871.59	(iii) Clearing bills and vouchers under adjustments ..	NIL	
	2,83,22,355.13	(iv) Pre-paid expenses and recoverables etc., ...	4,21,65,284.74	
		(v) Assets taken for collection from Taken-over Banks		
	27,14,341.48	as per contra	26,94,967.52	
	NIL	(vi) Inter Branch/Office adjustments (See Note 5) ..	2,95,67,384.13	
8,67,91,394.18				10,36,12,793.12
		11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS :		
1,82,159.29		At Book Value		2,92,997.79
434,68,69,234.50		TOTAL		546,51,13,352.66

(4) Branch Adjustment Account reconciliation has been made upto the end of June 1973. Further reconciliation is on hand.

(5) In prior years, the 'Inter Branch/Office Adjustments' and 'Clearing Bills and Vouchers under Adjustments' were being shown separately, the former on the Liabilities side and the latter on the Assets side of the Balance Sheet. As a result of a change in the method of accounting, the said 'Clearing Bills and Vouchers under Adjustments' as also Cheques, Drafts, clean and documentary, Inland Bills under confirmed irrevocable letters of credit on the Bank's Branches or of other Banks where there are Bank's Branches, (which were in prior years being shown under 'Bills Purchased or Discounted') have been adjusted against 'Inter Branch/Office Adjustments' now shown at net adjusted value in the Balance Sheet.

(6) Additional Bonus payable, if any, for the year 1973 will be met out of Contingencies Account to which adequate amount has been transferred out of the current year's income.

H. NARASIMHAIAH
MIR SHOUKATH ALI
ABDUL HASIB
M. K. VENKATACHALAM
DIRECTORS

C. E. KAMATH
CHAIRMAN AND MANAGING DIRECTOR

In accordance with our Report attached

B. K. RAMADHYANI AND CO.,
BRAHMAYYA AND CO.,
CHARTERED ACCOUNTANTS

CANARA BANK

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1973

Previous Year 1972	EXPENDITURE		1973		INCOME (Less provision made during the year for Bad and Doubtful Debts, Taxation and other usual or necessary provisions).		1973
Rs. P.			Rs. P.				Rs. P.
12,91,99,353.99	1.	Interest paid on Deposits, Borrowings etc.,	17,82,55,126.63	1.	Interest and Discount		31,36,27,842.52
9,40,36,059.08	2.	Salaries and Allowances and Provident Fund	12,09,57,899.25	2.	Commission, Exchange and Brokerage		3,30,74,764.14
	3.	Directors' and Local Committee Members' Fees and Allowances ..	15,776.05	3.	Rents		3,34,332.01
55,337.35	4.	Rent, Taxes, Insurance, Lighting, etc.,	1,41,58,568.42	4.	Net Profits on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)		NIL
1,03,28,667.45	5.	Law Charges	1,71,255.82	5.	Net Profits on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)		NIL
62,741.76	6.	Postage, Telegrams and Stamps ..	56,03,721.47				
53,11,195.81	7.	Audit Fees and Travelling Expenses ..	5,08,000.00				
3,45,000.00	8.	Depreciation on and Repairs to Bank's Property	53,82,314.24				
47,27,886.49	9.	Stationery, Printing, Advertisement, etc.,*	50,57,389.83				
52,02,112.22	10.	Expenditure on Non-Banking Assets and Loss from sale of, or dealing with such assets	14,155.42	6.	Income from Non-Banking Assets and Profits from sale of, or dealing with such assets		1,064.25
364.26	11.	Other Expenditure	1,82,58,016.54				
1,28,61,543.01	12.	Balance of Profit	1,46,60,477.79	7.	Other Receipts		1,60,04,698.54
1,45,97,598.62	NOTE: Particulars of remuneration paid to the immediate past Chairman and Managing Director during 1973:- (i) Salaries-Rs.48,000.00 (Rs.48,000.00); (ii) Travelling Allowances-Rs. 1,250.00 (Rs. 12,882.55); (iii) Medical Expenses - Rs. 113.00 (Rs. 486.38); (iv) Estimated monetary value of perquisites - (a) Furnished quarters - Rs 6,000.00 (Rs 6,000.00); (b) Free use of Bank's Car -Rs.1,200.00 (Rs. 1,800.00). (Figures in brackets are for 1972). Particulars of remuneration paid to the present Chairman and Managing Director during 1973:- (i) Salaries - Rs. 13,766.67; (ii) Travelling Allowances - Rs. 900.00; (iii) Medical Expenses - NIL; (iv) Estimated monetary value of perquisites - (a) Furnished quarters free of rent - Rs. 1,950.00; (b) Free use of Bank's Car - Rs. 600.00 *Includes expenses on Publicity and Public Relations amounting to Rs. 6,27,431.12 (Previous year - Rs. 7,99,894.30).						
27,67,27,860.04		TOTAL	36,30,42,701.46		TOTAL		36,30,42,701.46

Head Office:
Bangalore-2.
Jyaista 3, 1896,
Dated: May 24, 1974.

B. VITTAL BALIGA, CHIEF ACCOUNTANT. C. S. SUBRAMANIAM, V. P. KAMATH, S. R. THAKUR, DIRECTORS.

C. E. KAMATH, CHAIRMAN & MANAGING DIRECTOR.

H. NARASIMHAIAH, MIR SHOUKATH ALI, ABDUL HASIB, M. K. VENKATACHALAM, DIRECTORS.

In accordance with our report attached
B. K. RAMADHYANI & CO., BRAHMAYYA & CO., CHARTERED ACCOUNTANTS.

CANARA BANK

PARTICULARS ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER 1973

1972	PARTICULARS OF ADVANCES	1973
Rs. P.		Rs. P.
183,90,53,508.38	(i) Debts considered good in respect of which the Bank is fully secured	233,43,82,202.50
19,70,46,935.23	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security ..	22,58,44,690.06
22,19,42,700.17	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	26,12,34,442.06
NIL	(iv) Debts considered doubtful or bad not provided for ..	NIL
225,80,43,143.78	TOTAL	282,14,61,334.62
1,33,67,459.40	(v) Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons	2,00,73,823.82
NIL	(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	NIL
1.34,04,788.24	(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 other persons	2,00,73,823.82
NIL	(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	NIL
74,08,647.35	(ix) Due from Banking Companies—includes Rs. 5,50,000.00 (previous year Rs. 5,50,000.00) due from Banks taken over functioning as residuary companies—fully secured	22,91,686.39

HEAD OFFICE :
BANGALORE-2.
Jyaista 3, 1896,
Dated : May 24, 1974.

B. VITTAL BALIGA, CHIEF ACCOUNTANT. C. E. KAMATH, CHAIRMAN & MANAGING DIRECTOR.

C. S. SUBRAMANIAM, V. P. KAMATH, S. R. THAKUR, H. NARASIMHAIAH, MIR SHOUKATH ALI, ABDUL HASIB, M. K. VENKATACHALAM, DIRECTORS.

In accordance with our report attached.
B. K. RAMADHYANI & CO.,
BRAHMAYYA & CO.,
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

The President of India :

1. We have audited the foregoing Balance Sheet of Canara Bank as at the 31st December 1973, and also the foregoing Profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the returns of 72 branches audited by us, and 224 branches audited by other auditors and unaudited returns in respect of 456 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 Profit & 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 the 31st December 1973;
      ii) The Profit & 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 received from the offices and branches of the Bank have been found adequate for the purpose of our audit.

B. K. RAMADHYANI & CO.,
Chartered Accountants.

BRAHMAYYA & CO.,
Chartered Accountants.

Bangalore-2,
Dated : May 29, 1974.

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 Eleventh Annual General Meeting of the Company held in Bombay on 25th June 1974:

Before I dwell upon the economic situation in general and the affairs of your Company, I would like to refer to the remarkable achievement of our Scientists in the field of Nuclear Technology. I trust you will agree with me that the nation as a whole is justifiably proud of this event. The spectacular breakthrough in technological advancement signalling the graduation from Reactor Technology to Implosion Technology is positive proof, if such were required, that the nation, with its almost inexhaustible reserves of talent, imagination and brilliance is capable of scaling any height in any field of human endeavour, provided human resources are mobilised and harnessed in a constructive manner. I feel proud in offering my heartiest felicitations to the Prime Minister and the Atomic Energy Commission.

It would be a rather staggering task to undertake to trace the tumultous developments during the past year, which have in no small measure influenced the course of the economy since we met last. Nor is it very essential to do so here. One could, however, pick some of the more far-reaching of them with either an exogenous or an endogenous influence on corporate activity and then with a certain amount of equanimity of mind and objectivity take a perspective look at them.

Industrial Production

Since the beginning of the middle of the sixties, there has been very little growth in industrial output, the rate of growth in which has been of the order of less than 4 per cent per annum against the envisaged 9 per cent during the Fourth Plan period. Over the past two years the shortages in Power and other indispensable industrial raw materials have arrested any gains in production in almost every sector of the Indian Industry. On account of the adverse developments such as the fall in the production of agricultural raw materials and the consequent sharp increase in prices, industrial production and investment are unlikely to pick up appreciably during the current year.

The levels of capacity utilisation have remained very low. What exacerbates the already complex and difficult situation is the deceleration in the production of key items with heavy backward and forward linkages with the rest of the economy such as fertilisers, coal, steel, cement, and so forth and in Power generation. Non-availability of any one of them or their insufficiency would have multiplier effects leading to a fall in production in scores of other industries. As such any attempt to boost industrial production would invariably involve the drawing up of a master plan for working these core industries to their full rated capacities.

By way of counting one's blessings one may however mention that with the decrease in the severity of the foreign exchange constraint in respect of essential imports, consequent to the aid commitment of the order of $ 1,400 million by the Consortium countries, the industrial outlook has improved for the coming months.

Licensing of Electric Furnace Units

Coming down from the macro level observation to those relating to our Industry, it is observed that there is a major policy change relating to the Electric Furnace Industry which it is appropriate to mention here by way of keeping a track of such developments referred to in my statement to you last year. This refers to the new February-1974 Licensing Policy announcement of the Government which requires the hitherto Registered Electric Furnace units, irrespective of the investments therein, to obtain COB Licences. This new stipulation requiring the obtaining of industrial licence is welcome in more ways than one. Firstly, there has been a disorderly proliferation of such units all over the country and as such the Electric Furnace Industry has been rendered an over-crowded area of endeavour with the demand for all essential inputs far outstripping the supplies, particularly, of Power, ferrous scrap, graphite electrodes and so forth. As a result supplies are very problematic and their prices keep climbing to dizzier levels. While there can be little doubt as to the compelling need to expand indigenous steel capacity and displace imports to the maximum extent possible, this should not however lead to creation of such capacities without a due and careful study of the availability of all essential inputs.

Crises in Input Supplies

Since the 9th Annual Report of 1971, it has become almost conventional to draw attention to the ever deteriorating input supply situation. The only difference happens to be in the magnitude of such shortages which tend sometimes to assume serious proportions. There is a dual aspect to the input crisis, viz, the substantial shortages and secondly the upward pressure on the prices which have kept spiralling. This is particularly so in respect of scrap, fuel oil and graphite electrodes, though the increases in prices of other inputs, sharp as they are, nevertheless are relatively modest in comparison.

The Industry has come some distance in quantifying the supplies and the demand for scrap as well as graphite electrodes. The quantity that would have to be made available both through indigenous production and from abroad has also been clearly indicated by the Industry to the Government. In respect of scrap, though the Industry made a determined bid to arrange for imports through Agencies solely authorised to import it, it is disappointing that no imports have so far materialised even after a lapse of more than 20 months from the time the proposal was mooted. It has yet to be appreciated that bureaucratic practices in commercial organisations even in the best of times fail to achieve the desirable results. This fact acquires added significance in world trade in an item such as scrap or electrodes. Thanks to the wide gap between their supplies and the expanding global demand, in fact there is a virtual world-wide scramble for them. Needless therefore to underline that the deals and transactions are put through with lightning speed instead of shuttling papers from one department or agency to another. The entire plan for imports of these indispensable inputs may fail miserably thereby sharply accentuating what is already a very tight supply situation unless our ways of trading are mended and streamlined.

Even at the risk of being rather trite, it needs to be underlined that in respect of graphite electrodes every attempt should be made to maximise indigenous production. Also speedy creation of additional capacities is urgently called for. It is, no doubt, a matter of concern for the Industry as a whole that the requirements of electrodes are running far ahead of supplies, both indigenous as well as imports. If instead of Power, or any other input, electrode shortages constrict capacity utilisation in the Industry, the immediate loss in production therefrom and the consequential impact thereof on the economy can be easily realised.

At a time when units in the country depend upon such imports, partially or even completely, for their requirements and units are faced with a hand-to-mouth raw materials position with the buffer stocks almost fully depleted, there is an overwhelming need to reconsider the very question of canalisation through State trading organisations. In this connection, two suggestions can be made. First, either the imports of at least key items may be partially or wholly decanalised. By partial decanalisation I mean that a particular production unit may be allowed to import only the first 6 months requirements or in an emergency situation and the regular imports of such items may be continued to be canalised through a State trader. Alternatively, the Government may also consider arranging for imports of such items through Export Houses, which are by and large reputed for their swift trading practices.

Power

In respect of Power, it has become almost ritualistic to refer to the very unhappy situation everywhere in the country with the possible exception of a few States such as Kerala, Himachal Pradesh, Rajasthan and Orissa. Faulty Power planning, neglect of maintenance of Power generation equipment, heavy transmission losses in the range of 20 to 30 per cent as against the normal 6 to 7 per cent in most other countries and so forth are a familiar ground and I see no point in traversing the same.

Though by and large the Power supply situation is not very worrisome for us in Maharashtra, however, on account of the erratic functioning of the Tarapur Power Plant and the shutdown of the Nasik Thermal Plant, the Government had to impose certain restrictions on maximum demand.

Recently, the Government has accepted the proposal of experts that the functions of the Central Electricity Authority should be reconstituted, so that it may expeditiously execute the Power projects which otherwise normally languish. Simultaneously, it is proposed to revamp the working of the State Electricity Boards so that there is a more efficient and streamlined working of such Boards. There is also scope in this new arrangement for the Central Water and Power Commission to play its role as a technical and design consultant. Hopefully these organisational changes would considerably improve Power management in the country.

Power engineers in this country have also applied their mind to the Planning of new Power generation capacities as well as to the efficient operation of existing facilities. The recommendations in respect of the operation of generation and transmission equipment such as establishment of fully integrated regional grids, augmenting inter-regional ties for purposes of creation of a national grid, establishment of regional load despatch centres, avoiding remote tripping of loads, permitting captive plants, promoting total energy concepts, introducing efficient standards for equipment, ensuring higher investment on transmission and distribution as well as adopting higher voltages for preventing system losses and voltage fluctuations and so forth must be implemented without further deliberation on account of the basic soundness of these proposals.

In respect of allocation of new capacities, on account of the concentration of coal deposits mainly in and around Eastern and Central India, Hydro-Electric Power generation capacity should be established on a priority basis in other regions of the country. The present generation capacity of the order of about 18 million KW is chronically inadequate for the country's requirements of about 25 million KW. In Plan after Plan, there have been serious shortfalls in attaining the targets as for instance 15.4 per cent in the First Plan, 35.7 per cent in the Second Plan, 35.8 per cent in the Third Plan, 24.1 per cent in the three Annual Plans and a spanking 54 per cent in the Fourth Plan. During the 5th Plan period it is planned to allocate Rs 6,190 crores enabling the establishment of an additional 16.55 million KW of new capacity so that a generation capacity of 33 million KW may be reached, after taking into account capacity in obsolete plants which has to be made good. As an indispensable infrastructure facility and in our case as one of the essential inputs, apart from being a prime mover of production facilities, it would be rather superfluous to exaggerate the over-riding importance of attaining this target in terms of generation capacity if there has to be any meaning and substance in the Plant for overall economic development.

Expansion

I had reported to you last year that we would be able to spell out the details of the Expansion Scheme in the next report of the Directors. Accordingly, the Directors' Report for 1973 has briefly listed some of the effective steps that have been taken towards implementation of the Expansion Scheme. I would like to merely supplement these remarks.

Your Company's formal communication to the Government for conversion of the Letter of Intent into an Industrial Licence was sent in November 1973 after making an appreciable progress in preparing the ground for conversion of the Letter of Intent issued in April last year, which was subsequently amended in September. Every effort was and is being put forth to satisfy the Government's preconditions for the issuance of the Licence. The first relates to the clearance of the import of Plant and Equipment by the Capital Goods Committee. Our application for import of Capital Plant and Equipment has been scrutinised and we expect the formal clearance very shortly. The second precondition relates to the finalisation of the terms of financial assistance by the International Finance Corporation, and the Industrial Credit and Investment Corporation of India. After the Government authorised us to explore the possibilities of obtaining financial assistance from IFC(W), early this month a team from this institution visited us for making an appraisal of our Expansion Scheme. We expect a favourable decision from IFC(W)/ICICI by September this year. A third effective step relates to the execution of the Supplementary Collaboration Agreements duly approved by the Government.

With a view to speed up the Civil construction work the Company had sent its senior design staff to the Ugine Plant in France to enable them to finalise the Shop Layouts and other basic engineering data by July 1974. As such the actual work of civil construction is expected to start by the end of the year. It is a matter of gratification that the Maharashtra Electricity Board

has readily come forward to meet our increased Power requirements. A formal sanction to this effect has also been obtained from the Government in April this year. In respect of water, the Company's Plant is assured of supplies of the necessary additional cusecs from the trail-race of the Tata Hydro-Power Station. Simultaneous action in respect of each one of these items is being taken expeditiously, so that the execution of the entire Expansion Scheme may be completed and commercial operations may be commenced by the beginning of the second quarter of 1977.

Amalgamation

A very closely connected subject of considerable significance to your Company, which incidentally is also the happiest event of the year, is the Scheme of Amalgamation of The Bank of Baroda Ltd, with your Company. The Scheme is scheduled to take effect from 1st July, 1974. Even if there should be any delay in obtaining the necessary approval of the Controller of Capital Issues, the Scheme would be operative with retrospective effect from 1st July, 1974. You would appreciate that by any measure an amount of Rs 8 crores which your Company would be further endowed with by virtue of the Amalgamation, is fairly large an addition to the readily available funds of your Company. This would enable us to go ahead with the Expansion Scheme and complete it on a crash basis.

Outlook for 1974

From the Directors' Report you would have seen that during 1973, your Company was able to implement a balancing scheme and thereby ensure a fuller utilisation of the rated capacity in most of the key production departments of the Company's integrated Plant. In this report, the Directors have already reported that the performance during 1974 is likely to be of the same order as during 1973. However, it is worth keeping in mind the squeeze on the profit margins on account of the extraordinary price rises in respect of inputs to which I have referred earlier.

In the first five months of the current year, Sales stand at a level of Rs 538.73 lakhs as against Rs 403.04 lakhs and Rs 427.96 lakhs in the corresponding periods of 1973 and 1972 respectively. This 33.6 per cent increase in Sales realisation, however, reflects the inflation in the prices of essential inputs.

Directors

The Members of the Board deeply regret the passing away of Mr Aloke K Mitra on 4th April, 1974. Late A K Mitra was on the Board of Directors of the Company since its very inception and the Board had the benefit of his wisdom and guidance during his tenure of office as Director till 17th May, 1973 on which date he had resigned due to ill health.

Mr S Bhoothalingam joined the Board of Directors on 29th April 1974 and I am sure that the Board will greatly benefit by his experience in the Government and the Steel Industry in particular.

Before I conclude, I would like to place on record our sincere appreciation of the dedicated work put in by all the employees, without which it would not have been possible for the Company to achieve the satisfactory results. Close co-operation which we have been able to develop with our Collaborators, Ugine Aciers, particularly in respect of resolving technical problems, has also contributed in no small measure to the continuing success of your Company.

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

The Madras Aluminium Company Limited

'Jayalakshmi'

Race Course, Coimbatore-18

Statement by the Managing Director, Shri R Venkataswamy Naidu

THE following is the address to the Members of the Company delivered by Shri R Venkataswamy Naidu, Managing Director at the 14th Annual General Meeting of The Madras Aluminium Company Limited held at "Shanmuga Manram", Race Course, Coimbatore-18 on Wednesday, the 26th June 1974.

With pleasure I welcome you all to the 14th Annual General Meeting of the Company.

Before we start the proceedings of this meeting, I would like to refer to the sad demise of Shri T T Krishnamachari, former Minister for Finance and Commerce and Industry, of the Government of India. While his services to the nation in various fields are widely known, I would like to refer to the personal interest he took in the formation of this Company. I may even add that, but for his initiative this Company could not have come into existence. I request the members to observe a minute's silence as a mark of respect to the departed leader.

Crucial Year

I presume that members would have studied the Profit and Loss Account, Balance Sheet and Auditors' Report, which have been with you for sometime past. The year 1973 was crucial to our Company in view of the adverse factors we had to face. From the month of February to the end of July, for an approximate period of six months, our plant was almost completely shutdown due to the power cut. During this period, our loss of production was to the extent of 5,500 tonnes, which has considerably reduced our profitability. Moreover, for starting up of the stopped pots after the power cut was lifted, we had to incur heavy expenditure towards cost of start up and lining materials. This had increased our expenditure and with great difficulty we managed to equalise the burden of expenditure without any outflow of funds from the Company. In our expansion programme we have envisaged the ploughing in of cash generation of our Company for meeting capital expenditure to the extent of Rs 6 crores approximately. On account of unforeseen circumstances mentioned above the Company's cash generation was severely affected and we had to resort to acceptance of deposits from the public and also arrange for postponement of repayments of debts to financial institutions so as to avoid financial strain for the Company. I am glad to inform you that our company has started gaining cash generation fast and is in a sound position financially now. Considering the hurdles that we had to face in 1973, I consider the results achieved as satisfactory even though we could not absorb the Depreciation for the year. I think members will appreciate the difficulties through which our company has passed during the year 1973 and reconcile with the decision of your Board to skip the dividends for the year 1973 also.

Production Loss

I have been assuring members about the potential profit making ability of our Company in view of the importance that the aluminium metal enjoys in world economy. Even during the year 1972, we were ready to put in line our first stage of expansion, but on account of difficult power supply conditions we had to postpone it for an year approximately. In the year 1973, since the lifting of the power cut, we could energise only 40 per cent of new pots on account of non-availability of sufficient power. Unfortunately, again from the month of October 1973, a power cut was imposed and subsequently from April and May 1974 further power cuts have been imposed curtailing our production. Hence, we have to incur production loss this year also of which a fair estimate cannot now be made. Subject to availability of power, we have programmed to commission all the new pots by the end of 1974 to raise our production capacity to 25,000 tonnes of primary metal and we hope it will be possible for us to do so, since power cut is likely to be lifted in stages as monsoon advances and hydel generation is stepped up.

I had referred in my previous report to the successful breakthrough we had made in the manufacture of rolled products by continuous casting process and anticipated that we will be in a position to market finished products before the end of 1973. Our hopes have not come true because of the critical power position which forced us to reduce our production to nearly 50 per cent of our original capacity. We hope that with better power position in 1974, we will be able to continue our efforts in that direction.

I am glad to inform you that Government of India have now revised the prices of aluminium products increasing the selling prices by about Rs 1,090 per M/T. We have been representing to the Government of India for a revision of prices of aluminium products, which was fixed on the basis of cost of production of 1969-70. Prices of all materials were increasing every year and recently, because of the change in the policy of the oil producing countries, prices of some of our essential raw materials had doubled. The present increase in price granted by the Government of India does not fully compensate for the increase in cost compared to the cost of production of 1970.

Good Demand

The Central Government has also notified us of its decision to control distribution of commercial grade aluminium. During the past few months, there had been a scarcity for aluminium in the market and the small scale industries had to suffer on account of non-availability of sufficient raw material for their production. It is only after Malco's development, there has been tremendous increase of Small Scale Units in our State utilising aluminimum. There are nearly 500 licencees in the small scale sector in the State depending upon commercial grade aluminium for their production. Since distribution of commercial grade aluminium was not in control before, we were able to ration our production of commercial grade ingots to a large number of industries in our State and avoid dislocation of production of their units to certain extent. With the control now introduced for the commercial grade aluminium also, I do not know whether we will be in a position to help small scale units in our State. We propose to represent to the Government of India to allow us some freedom in the matter of distribution of commercial grade aluminium metal, so as to enable us to meet to some extent the requirements of small scale sector of our State.

The demand for aluminium metal in the international market got a sudden boost on account of general fall in production due to power cuts. This gap between production and demand is responsible for the general scarcity felt in the Indian Market also. There is a good demand for some of our intermediary products.

The inflationary trend in our country's economy continues in spite of serious efforts by the Central as well as State Governments to saddle and control it. Though this sorry phenomenon is perhaps attributable to the slackness in agricultural and industrial production combined with irregular distribution, as some economists would have it, I am inclined to believe that it is largely due to the adverse global inflationary conditions consequent to the oil crisis in general and to the unfortunate drought conditions affecting agriculture and causing power crisis in our country in particular. I hope conditions would improve and become more cheerful.

The year 1974 will be remembered by every Indian with great gratification and will be marked in the history of our country for one of the greatest achievements we have made. India has now emerged out as the sixth atomic power by successfully blasting an atomic device under the ground. We can confidently look forward to a future when atomic power will solve our problem of fuel shortage and help us to gear up our economy for a faster growth. It has further established the fact that talent in the country is not lacking and given opportunities the problems facing our country are not difficult to solve within a reasonably short period of time.

Loyal Service

Before concluding my speech, I would like to assure you that the financial stability and profit potentiality of our Company is unquestionable and members can anticipate better years ahead when our company will move from strength to strength. I take this opportunity to thank Government of India, Government of Tamil Nadu, our Collaborators, M/s Mediobanca of Italy, Government financial institutions and our Bankers, M/s Indian Bank, for their continued co-operation and for the help rendered to us. I also wish to pay tribute to our employees at all levels for their loyal service.

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

SUNDARAM FINANCE LIMITED
Mount Road, Madras 600 006

Speech of the Chairman, Shri T S Santhanam

THE following is the Speech of Shri T S Santhanam, Chairman, Sundaram Finance Limited, at the Twentieth Annual General Meeting of the Company held on June 21, 1974 at Madras:

FRIENDS:

It gives me great pleasure to welcome you to the 20th Annual General Meeting of your Company. The Directors' Report, the Audited Balance Sheet and the Profit and Loss Account have been circulated to you and with your permission. I shall take them as read.

ECONOMIC CONDITIONS

As all of you know, inflation is the most serious problem affecting the Indian economy today. It began to assure grave proportions during 1973, and if the experience of the first 5 months of 1974 is a guide, it threatens to become even graver in the months to come. The index of wholesale prices rose by 26 per cent in 1973: upto the end of May 1974 the rise was 14 per cent. Stringent credit curbs imposed by the Reserve Bank in November 1973 were an inevitable result. The entire industrial sector, of which the road transport industry is a part, is in the throes of adjusting itself to the rigours of this situation.

The selling prices of commercial vehicles have gone up by 15 to 20 per cent in the last 12 months. Steep rises in the price of tyres and spare parts have added to operating costs. The even steeper rise in the price of petroleum products, brought about by concerted action on the part of the oil producing countries, has had a tremendous and direct impact on this industry.

Nevertheless, all indications are that road transport will maintain its share, may even be required to bear a greater share, in the transport needs of the country as a whole.

The need to contain and bring down prices of basic necessities, especially of food, clothing and transportation is of the first importance.

WORKING RESULTS 1973

As indicated by me in my speech at the last Annual General Meeting, our business picked up during the later part of 1973. The amount advanced on hire purchase contracts during 1973 stood at Rs 842.77 lakhs as against Rs 512.64 lakhs for 1972. The stock-on-hire representing the total outstanding amounts under hire purchase agreements was Rs 1,137.19 lakhs on 31-12-1973 as against Rs 986.42 lakhs on 31-12-72. However, the earnings under the hire purchase transaction for the year 1973 were lower at Rs 155.36 lakhs as against the sum of Rs 169.06 lakhs for the year 1972. This was due to the lower turn-over in 1972 and the fact that the improvement in advances in 1973 became marked only in the last quarter.

DEPOSITS

As members are aware, the Company stopped accepting fresh deposits in May 1972. Largely, as a result of this, the total deposits which stood at Rs 835.12 lakhs in the beginning of January 1973 came down to Rs 705.85 lakhs at the end of the year. Consequent on the upward trend of our business during the last quarter of 1973, the Company resumed acceptance of deposits with effect from 1-1-1974. I am happy to say that the response from the public has so far been gratifying.

HIRE PURCHASE ACT

It was notified in June 1973 that the Hire Purchase Act would come into force with effect from 1st September, 1973. However, it was later announced that the said notification stood rescinded.

PROSPECTS

There was a marked improvement in the business in the first 5 months of 1974 as compared to the corresponding period in 1973. The advances during this period were Rs 546.07 lakhs as against Rs 186.22 lakhs in 1973. The stock-on-hire as on 31-5-1974 exceeded Rs 1,400 lakhs.

The operational expenses of the Company are rising on account of the higher cost of borrowing and the increase in administrative expenses. The stringency in the money market is likely to continue for some more time. However, with the efforts your Directors have made for greater mobilisation of funds, they are hopeful that the favourable trend in the Company's business will be maintained during the rest of the year.

DIRECTOR

Shri T A Thiruvenkatachari retired as Deputy Managing Director of the Company on the expiry of his term of appointment on 31-12-1973. He has agreed to stay on as a Director of the Company and so, we will continue to have the advantage of his experience.

I would like to place on record our appreciation of the valuable services rendered by Shri T A Thiruvenkatachari, during his tenure of office as Deputy Managing Director.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and myself, I wish to express my appreciation of the good work done by the administrative as well as the field staff of the Company. I also express my thanks on behalf of your Company to all the depositors and customers for their continued support.

Finally, I thank all the members present, for having found the time to attend the meeting.

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

Blue Star Limited

Speech of the Chairman, Shri B T Advani

THE following is the speech of Shri B T Advani, Chairman, Blue Star Limited, at the Twenty-fifth Annual General Meeting of the Company held on June 26, 1974:

LADIES AND GENTLEMEN:

It gives me great pleasure to welcome you to the 25th Annual General Meeting of the Company.

The Directors' Report and the Audited Accounts for the year ended December 31, 1973, were sent to you some time ago, and with your permission, I propose to take these as read.

Mr Mohan T Advani: This is the first occasion when I am addressing you as Chairman of the Company. I am sure you will understand my mixed feelings today. While I am grateful to my colleagues and to all of you for electing me to this high position, I miss the presence of our Founder Chairman, Mr Mohan T Advani who passed away suddenly on February 14 this year. What the Company is today is largely because of his pioneering vision and inspiring leadership. His untimely demise has left a great void in all our lives, a void which will be very difficult to fill. We can pay no finer tribute to his memory than to re-dedicate ourselves to the ideals for which he stood: integrity, hard work and a genuine concern for the betterment of our fellowmen. As a mark of respect for our Founder, I would request you all to stand up and observe a two-minute silence.

Performance: The year 1973 saw a substantial increase in our business with both income and profit showing a healthy growth. The Directors have recommended maintenance of the dividend rate at 15 per cent and the net addition of more than Rs 13 lakhs to the reserves. With business continuing to expand rapidly, we will need these additional funds to consolidate our financial position.

Five Years As A Public Limited Company: This is the fifth Annual General Meeting since this Company was converted into a Public Limited Company and this is perhaps a suitable occasion to review the progress we have made during this period. I think you can all feel justifiably proud of our performance. During these four years total income has grown from Rs 7.05 crores to Rs 17.24 crores, an increase of 145 per cent. This is equivalent to a compounded growth rate of more than 25 per cent per annum. Profit after taxes shows an equally healthy growth from Rs 8.58 lakhs to Rs 24.42 lakhs, while the capital employed has gone up from Rs 188.96 lakhs to Rs 270.16 lakhs.

The impetus for our rapid growth has been provided by a policy of diversification, which has been achieved by expanding the geographical coverage of our markets and by adding new product lines. Some of the highlights of this period have been the addition of a new range of sophisticated machine tools, advanced electronic equipment covering the fields of medical electronics, data processing, communications, test and measuring equipment as well as such diverse products as weighing machines, specialised controls and pumps.



Shri B T Advani

New branch offices have been established in Cochin, Bangalore and Ahmedabad while our dealer network now covers virtually the entire country. This expanded coverage enables us to offer more efficient sales and technical support to our customers.

Our manufacturing capacity has also grown impressively and we have introduced a wider range of bottle coolers, water coolers, deep freezers as well as heat exchangers, air handling units, and other heavy equipment for our Project Engineering Division. The emphasis in our manufacturing programme continues to be on quality, reliability and reasonable cost.

In the field of exports, we have continued to perform quite creditably as can be seen from the awards received by your Company from the Engineering Export Promotion Council for outstanding export performance in the last three years in succession. We have also pioneered the export of technical know-how for the manufacture of water coolers in Kuwait and have earned valuable foreign exchange from the sale of our knowhow and from the royalties we have received. We have also met with great success in our move towards obtaining turn-key contracts for air conditioning and refrigeration plants outside India and have secured several prestigious contracts from Malaysia, Thailand, Sudan and Mauritius.

Future Prospects: I wish I could speak with some confidence about the next five years. Unfortunately our country is going through a very difficult period and our economy is stagnating. Spiralling prices, acute shortages and power crises have led to large scale industrial unrest. Unless the Government can control this galloping inflation, our fifth Five-Year Plan will collapse even before it gets started. What we need at this juncture is not catchy slogans and pious resolutions, but the will and determination to work hard. I hope our leaders will show imagination and initiative to inspire the people to rise to the occasion and pull the country out of this economic quagmire.

So far as the current year is concerned, the operations of your Company have been satisfactory. The total income for the first five months amounts to Rs 7.21 crores as against Rs 5.88 crores during the same period in 1973. However, due to a steep rise in the cost of raw materials and components, our salary and wage bills and all other expenses, it is doubtful if the increase in profit will match the growth in income. Your Directors are keeping a careful watch on all controllable items of expense and are trying to maximise the use of resources available to us. However, if the inflationary conditions are not brought under control, it may become necessary for us to consider later in the year, a rights issue in order to augment the Company's cash resources to meet the requirements of Working Capital.

Our Thanks: I shall be failing in my duty if I did not express my gratitude to my colleagues on the Board and our team of senior executives for their en-

lightened guidance in managing the affairs of the Company. I must also express my appreciation and gratitude to the employees of the Company at all levels for their loyalty and devotion to duty, even under the trying conditions through which the country is passing. Without their co-operation our achievements would have been impossible. I am confident that the good industrial relations that exist in your Company will enable us to move ahead.

I now propose that the Audited Statement of Accounts and Directors' Report be adopted and passed.

Anglo French Textiles Limited

Statement of the Chairman, Shri T S Krishna

THE following is the Statement circulated to the Shareholders of Anglo French Textiles Limited by the Chairman Shri T S Krishna:

The year 1973 turned out to be a satisfactory year for the cotton textile mill industry, despite the fact that cotton production in 1972-73 fell sharply to 62.7 lakh bales from the bumper crop of 73.5 lakh bales realised in the preceding year 1971-72. The stock position of Indian cotton at the commencement of the 1972-73 season was, however, larger at 24.5 lakh bales as compared to 13.5 lakh bales at the commencement of the 1971-72 season. Production of cotton yarn during the year stood at 987 million kgs as against 972 million kgs in 1972 but the production of cloth by the mill sector declined from 4,245 million metres in 1972 to 4,153 million metres in 1973 mainly due to constraints in power supply. Exports of cotton textiles during 1973 reached an all time high of Rs 195 crores as against Rs 150 crores during 1972. Cotton piece-goods accounted for Rs 121 crores being the value of 572 million square metres as against 430 million square metres valued at Rs 81 crores in the preceding year.

So far as your Company was concerned, production, sales and profitability in 1973 were the best achieved so far in the Company's history. Production during the year compare favourably with that of the preceding four years as shown in the Table.

As a result of the continuous endeavours to promote export of its production, the Company achieved significant results in its export targets, making it the second largest manufacturer-exporter of cotton textiles in India.

Domestic sales which were maintained at the previous year's level accounted for 24.3 million metres (1972: 24.2 million metres) constituting over 55 per cent of the total sales. Exmill value of domestic sales increased during the year to Rs 755 lakhs as against Rs 612 lakhs in 1972.

Despite the gratifying results achieved during the year, your Directors have considered it prudent to maintain the equity dividend at the same rate as last year, namely Rs 15 per share. Your Directors have drawn up plans for the addition of 12,400 spindles, and 72 heavy duty looms at an estimated cost of Rs 401 lakhs. The new factory buildings are coming up rapidly, and it is expected that about 6,000 spindles will go into production before the end of 1974. Along with the above scheme your Directors will have to undertake replacement of a sizeable part of the ageing machinery. The need for generating internal resources is, therefore, of paramount importance. It is in this context that I commend your Directors' policy of maintaining the equity dividend at 15 per cent, though I appreciate that the Company's efforts towards consolidation and greater security are vitiated to a large extent by rapid increase in the cost of labour in the form of steadily increasing quantum of dearness allowance and bonus. This is further aggravated by the reluctance of labour to accept rationalisation of workloads which is essential for the well being of the Company and will contribute to better utilisation of machinery and increased production.

As for the prospects for the current year, there are a number of disturbing factors which make these prospects rather disquieting. Shortage of raw cotton, high costs of inputs, partly outdated machinery, low productivity, labour unrest and the credit squeeze are some of the problems now faced by the Indian cotton textile mill industry. Cotton shortage has plagued the industry for many years. Today, the gap between demand and supply has widened to over a million bales. The industry obtained some relief in 1972 following a bumper crop of over seventy lakh bales in the 1971-72 season. But cotton production declined in 1972-73 to sixty-two lakh bales and still further in 1973-74 to about sixty lakh bales with the result that the prices of indigenous cotton started rising and are now at an all time high. The activities of the Cotton Corporation of India which has for its objects the ensuring of a remunerative price to the growers and stabilising of cotton prices for the industry have not been very helpful to the industry. Its ill timed purchases far above ruling prices resulted in giving a further push to rising cotton prices. The industry has also been called upon to increase its socio-economic responsibility by contributing from 1st April 1974 about 24 per cent of its production in controlled varieties of cloth at prices far below cost of manufacture. In terms of quantity, this would represent about 800 million square metres for the industry. Any shortfall in the fulfilment of this obligation would have to be made good by the defaulting mills at the rate of Rs 2.50 per square metre. Thus, your

TABLE

		1969	1970	1971	1972	1973
Yarn	: Million Kg.	7.2	7.3	8.1	7.8	8.8
	Average Count	16.3	16.1	15.9	15.2	14.6
Cloth	: Million Metres	35.6	37.8	44.9	43.3	46.1
	Million Kg.	6.2	7.3	8.7	9.2	10.4

The f o b value of the Company's exports during the year scaled new heights as the following figures show:

	Rupees (Lakhs)				
	1969	1970	1971	1972	1973
Yarn :	32	11	—	—	—
Cloth:	310	258	477	460	710
Total	342	269	477	460	710

Company has an obligation to produce about 8 million square metres of controlled varieties of cloth during the nine months of 1974. It is however expected that rebate earned through exports would to some extent mitigate the harsh impact of this obligation on the Company's trading results for the ensuing year.

Labour relations since the beginning of the year have deteriorated largely due to inter-union rivalry. The settlement of a strike which lasted for 23 days in February/March 1974 has increased the Company's wage bill by over ten per cent without any corresponding increase in labour productivity. Unrelenting inflation has been exerting its pressure on all inputs particularly raw cotton, wages, dyes and chemicals, stores, machinery spares, etc. Power supply too has become uncertain. All these factors have combined to increase the cost of manufacture which apart from producing a debilitating effect on the industry will inevitably reduce the competitiveness of cotton fabrics of Indian manufacture in the overseas markets where Indian fabrics are already facing a fierce competition from other exporting countries.

The year under review has been a very successful year for your Company, and I should like to pay a tribute to my colleagues on the Board and to the staff and the employees for the co-operation and good work done by them. I must also compliment Messrs AFTCO Products (Textiles) Limited for continuing to handle the Company's products in the UK with their wonted efficiency.

T S KRISHNA
Chairman

Registered Office:
Mill Premises,
Cuddalore Road,
Mudaliarpeth,
Pondicherry,
Dated: 29th April, 1974.

Alembic Chemical Works Company Limited

Baroda

Speech of the Chairman, Shri R B Amin

"PRICE CONTROL IS REGRESSIVE"
"GIVE MORE TO SOCIETY THAN WHAT YOU RECEIVE"

THE following is the Speech of Shri R B Amin, Chairman, Board of Directors, Alembic Chemical Works Company Limited, Baroda, at the Sixty-seventh Annual General Meeting of the Company held on June 27, 1974:

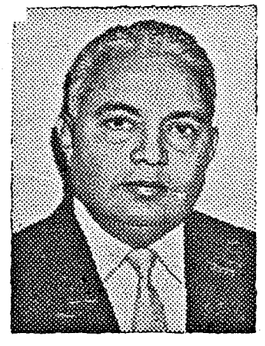
LADIES AND GENTLEMEN,

I have pleasure in welcoming you all to the 67th Annual General Meeting of the Company.

I have to report, with profound regret, the death of our Director Dr Mangaldas J Shah in October last year. I am sure you would all like to put on record our appreciation of his services as a member of the Board since 1947 when he first joined it.

The Accounts for the year ended 31st December, 1973 and the Directors' Report have been circulated to you and, with your permission, I shall take them as read. The increase in sales, as is seen from the Profit and Loss Account, is about Rs 1.30 crores. However, the sale of agro-chemical products after March 1, 1973 are included in the Account of Paushak Limited. If we take the sales of products other than agro-chemical items, the increase in sales in 1973 over 1972 is of the order of Rs 2.42 crores, which is a creditable achievement in the context of the fact that the selling prices have been pegged at 1970 levels by the Drugs (Price Control) Order.

All significant components of costs have been going up at an unprecedented rate. Prices of raw materials and packaging materials have gone up sharply; in a number of items the rise is as much as 200 to 300 per cent. The steep rise in cost of living has led to higher dearness allowances, an increase of 26 per cent during 1973,



Shri R B Amin

and a correspondingly higher wages and salaries bill and other charges on account of provident fund, etc. Interest charges have gone up for normal borrowings and are very high for requirements outside the limits of the credit squeeze imposed on industry. Compounded with higher costs of inputs and services are shortages, which cost your Company heavily in terms of interruptions in production schedules, disruption in supplies and inevitable adverse effects on profitability.

Pharmaceuticals are a priority industry but there is not much evidence that its problems are being understood by government, leave alone help being extended in solving these problems. The industry is tied to a price control which is as outmoded and unfair in its orientation as it is narrow and slow in its implementation. The working of Price Control refuses to include within its purview, changes in important cost components, particularly in conversion and packaging, which escalate the production costs of our goods. Even in those items which are taken into consideration, adequate allowance is not made for the full extent of the increase in the prices of materials and services. The process and procedure of price fixation and price revision also are time consuming. Costs go up continuously and considerably, making the prices and revisions thereof unrealistic and unprofitable even before the day they become effective.

Government Price Control, as it is operated now, is pushing the industry into an untenable position wherein it is unable to continue production of many items because of unrealistic fixation of prices. Due to the relent-

less squeeze on profits, ploughing back is becoming impossible. Further, because of the low and declining rate of return, the pharmaceutical industry will find it increasingly difficult to attract and draw upon equity as a source of capital. Under the existing interest rate structure, ordinary deposits are more remunerative than the risk capital invested in pharmaceuticals. Thus, price control has led the pharmaceutical industry into a critical situation. If government want the pharmaceutical industry to play its proper role, it must be allowed to adjust its prices to rising costs so that it can reach greater viability and larger production and provide more new drugs and medicines to our people. There is enough competition in the industry to ensure a fair deal to the users of medicine; and the tax structure is such as to be able to mop up excessive profits.

The way this industry and its affairs have so far been dealt with by government has led to its steadily running down towards stagnancy and regression. The symptoms of this damage are already evident in cutbacks in production and shortage of many items in the market. As these phenomena gather momentum, there will be no easy options to satisfy the consumer. Imports are already very difficult and new capacities cannot be set up in this atmosphere. Lasting damage is being done to an industry which is basic to the health and well being of our people. The number of formulations runs into thousands and no bureaucratic agency can cope adequately with it. So current production gets bogged down and new formulations get held up. People are denied newer and more effective medicines as a result. It is necessary, therefore, to end the present regime of Drugs Price Control which is based on confused objectives and which is humanly impossible to administer fairly.

Freedom of operation alone can increase the quantum, quality and variety of production, maintain adequate availability at reasonable prices and ensure enough alternatives for the user. Decontrol and decentralisation have to be adopted all along the line but they are inescapable and particularly urgent for a fast moving industry like pharmaceuticals. Government must act immediately and remove Price Control in the interests of adequate production and supply of pharmaceuticals in our country.

Another year of massive inflation has gone by. Taking the week ending 4th May, 1974, the wholesale price index was 290.9, 27.2 per cent higher than the level during the corresponding week last year and 50 per cent higher than the index for May, 1972. And all indications point to a further advance in prices of another 20 to 25 per cent during 1974-1975. So, in three years, the rupee will have shrunk in its purchasing power to 50 paise. No economy, however sound, can take a stock of this dimension without grave repercussions.

To recover from all this, we also need a big change in our personal attitudes, policies and actions everywhere. Our society and individuals in it are overpowered by the desire to take as much as possible for themselves and to give back as little as possible in return. This is leading to less effort, less production, less productivity and less progress. This can only result in economic insolvency and social chaos. This desire dominates all of us; it is high time we become aware of it and get over it. We should learn to give a little more to society than what we receive from society. This way of life will give stability and strength to our society. It will also impart dignity and meaning to our lives. Let us realise this truth, understand it and adopt it.

Before I close, allow me to put on record my appreciation of the wholehearted co-operation I have received from my colleagues on the Board as well as the Officers and employees of the Company during the past year.

I now recommend the Annual Accounts and the Directors' Report for consideration.

Note: This does not purport to be a record of the proceedings of the annual general meeting.



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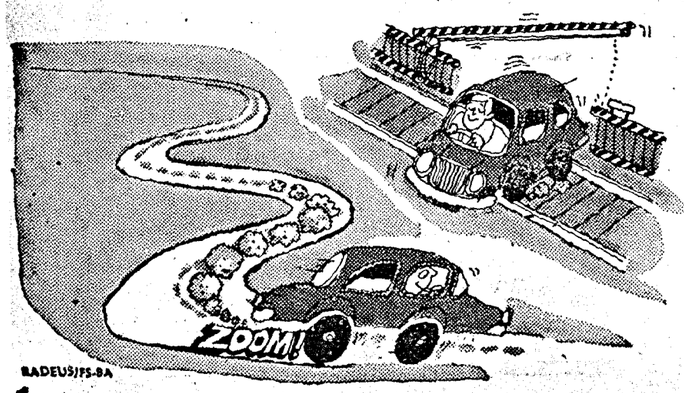
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The exclusive Triple-Strength Construction of Firestone tyres can take the friction of high speeds on highways.

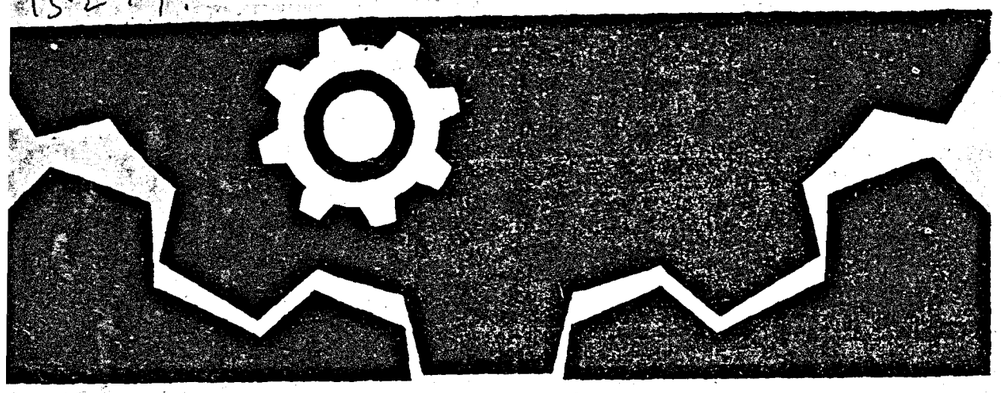
Firestone tread patterns give the tyres a safety grip on wet roads and at intersections, for smooth braking and take-off. The wrap-around shoulder improves control on curves with road-hugging grip.

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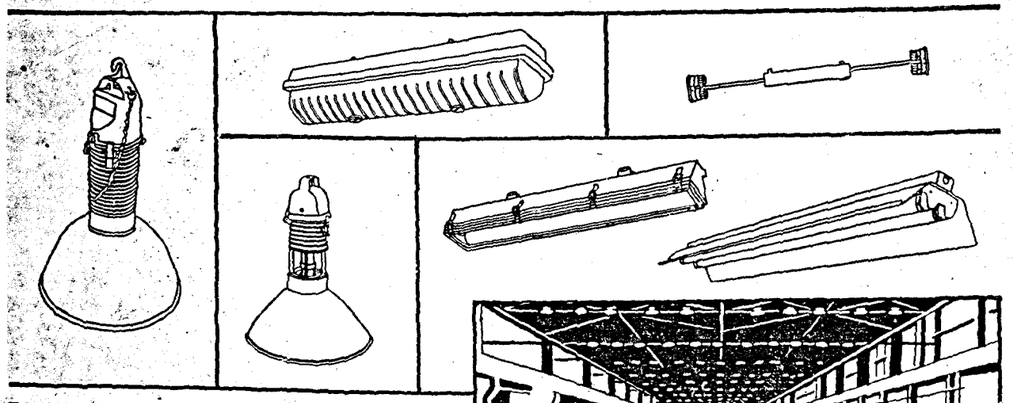
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